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TODAY:
Latin America Plays Part 15
MONEY

Clinton's Ratings Soar; Accusers Don't Budge

Jones Case Is Set Back as Court Forbids Testimony From Secret Service Agents

By Brian Knowlton
International Herald Tribune

WASHINGTON — Two of President Bill Clinton's principal antagonists in the investigations swirling around him forcefully defended their motives and veracity Friday as the White House pointed with relief to opinion polls showing that Mr. Clinton's job-approval ratings were at their highest ever.

The White House was bolstered further by a federal judge's ruling barring lawyers for Paula Jones from obtaining testimony from Secret Service agents assigned to the president.

"The court agrees with the Secret Service that the discovery sought by the plaintiff could possibly provide critical information of how the Secret Service functions and provide those with hostile intent toward the president with important information to use in piercing the Secret Service's

protection," the judge's order said. "The court deems such a risk to be unacceptable, especially where the information sought by the plaintiff is not essential to her case," the judge added.

With even some of Mr. Clinton's supporters surprised by the depth and

the mystery behind Kenneth Starr. Page 3. • Paula Jones' lawyers are set back. Page 4.

resilience of his public support. Republicans began to edge away from a strategy of silence and to speak more critically about the allegations that he had a sexual relationship with a White House intern and then asked her to lie about it in a sworn affidavit.

As the White House righted itself after the initial shock of the crisis, Linda Tripp, a former White House employee, broke the silence she had maintained since reports emerged that she had taped 20 hours of conversations with Monica Lewinsky, the 24-year-old former intern who allegedly had an affair with Mr. Clinton and then was encouraged by him to lie about it.

In a statement released by her attorney on Friday, Ms. Tripp said that she had overheard Ms. Lewinsky speaking on the phone in her apartment to Mr. Clinton and that she had seen gifts he allegedly gave the intern. She also defended Ms. Lewinsky against reports about her character and credibility, saying, "She was not a stalker; she was invited; she did not do enough."

Another key player in the attacks on the president, Susan Carpenter-McMillan, an adviser to Paula Jones, said Friday that the White House had orchestrated a smear of Ms. Lewinsky.

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White House Bides Time

Strategy Now Is to Hunker Down and Wait

By John F. Harris
Washington Post Service

WASHINGTON — President Bill Clinton's damage-control advisers have concluded that the public's initial shock about the controversy over Monica Lewinsky has subsided sufficiently that they can pursue a policy of withholding information about the nature of his relationship with the former White House intern indefinitely.

Once despondent over the crisis, presidential advisers inside and outside the White House said Thursday that they were increasingly optimistic that they could justify what one called a "hunker-down strategy" in which Mr. Clinton explained nothing publicly as long as he was under legal investigation for obstruction of justice. Some aides said they expected this approach to last for months, possibly far longer.

Mr. Clinton can throw up a wall, several aides said, because he and his advisers believe that they have been blessed with unappraising adversaries and a forgiving public.

The conduct of the people Mr. Clinton sees as his principal accusers in the controversy — the independent counsel Kenneth Starr and the news media — are viewed unfavorably by the public, the aides noted, citing public polls and their own internal polls.

See STRATEGY, Page 4

And while asserting that Mr. Clinton will never back off his flat denial of a sexual relationship with Ms. Lewinsky, several advisers noted with relief the polls and anecdotal evidence they have compiled suggesting that the public was not outraged by allegations of presidential adultery.

Finally, some Clinton advisers outside the White House said they were encouraged by how Ms. Lewinsky herself was being portrayed in many news accounts — as a sexually experienced and unreliable young woman, an enthusiastic participant rather than a naive victim in any possible relationship with the president.

All these factors are emboldening the Clinton team in its decision to try to shut off the flow of information.

When the allegations that Mr. Clinton carried on an 18-month sexual relationship with Ms. Lewinsky and coached her to lie about it first broke Jan. 21, the line from White House aides was that Mr. Clinton would tell his side of the story once his lawyers had conducted a fact-finding search.

In fact, the principal elements of that search are done. For several days, sources said, Mr. Clinton's lawyers have possessed the answers to critical questions, such as how often and when Ms. Lewinsky was cleared into

THE DOW

The Dow		
Friday close	previous close	
66.52	7306.50	7973.02
S&P 500		
change	Friday @ 4 P.M.	previous close
-5.21	980.28	985.49

Newstand Prices		
Andorra	10.00 FF Lebanon	11.3000
Amstel	12.50 FF Morocco	16 Dh
Cameroun	1.000 CFA Qatar	10.00 QR
France	5.50 FF Réunion	12.50 FF
Gabon	1.100 CFA Senegal	1.100 CFA
Italy	2.000 Lire Spain	225 Ptas
Ivory Coast	1.250 CFA Tunisia	1.250 DH
Jordan	1.250 JD U.A.E.	10.00 DH
Kuwait	.700 fils U.S. Mil. (Eur.)	\$1.20

THE HAGUE — If you can acknowledge that your country does not dare to turn its back on the European Monetary Union and its common currency, you can also insist that the run-up process is reinforcing your skepticism and adding a trace of foreboding about the whole undertaking.

This is the situation of Frits Bolkestein, the leader of the Netherlands' center-right Liberal Party, which polls currently place as frontrunner in the country's national elections May 6. The possibility that Mr. Bolkestein will emerge as prime minister, or kingmaker and key cabinet member in the Dutch system of institutionalized power-sharing, has brought attention to his reservations on what is happening to the EMU.

Less than the concept itself, Mr. Bolkestein is concerned about the attitudes underpinning the EMU, and that decisions on who participates in the first

UN Chief Warns Iraq of Bombing



Two UN staff members moving into designated hotels in Baghdad on Friday as prospects of an air strike rose.

Korean Investors Toast Debt Accord

Seoul Stocks Soar on Extension, but Skepticism Remains Abroad

By Don Kirk
International Herald Tribune

SEOUL — The South Korean stock market scored a record single-day increase Friday, reflecting a widespread feeling among Koreans that the country had overcome the worst of its financial crisis by winning a critical rescheduling of \$24 billion in short-term debt.

A day after international creditor banks agreed to extend the repayment period for South Korean banks, Finance Minister Lim Chang Yuel asked the country's bank executives to move quickly in pursuit of fresh credit to bolster the country's hard-pressed *chaebol*, conglomerates.

He also ordered the Finance Ministry to shut down 10 investment banks after concluding they were too heavily in debt to recover. The finance companies were among 14 suspended from doing business last month after the International Monetary Fund demanded closure of ailing institutions as part of a \$60 billion bailout plan.

The stock market's benchmark index rose 7.65 percent Friday in the first day of trading since the three-day Lunar New Year holiday began Tuesday. The index finished 39.69 points higher, at 558.33.

The won also rose sharply, with the dollar falling to 1,525 won from 1,688 on Thursday.

But outside of the country, reaction was much less euphoric.

In Washington, Treasury Secretary Robert Rubin said the debt rollover agreement was "still not sufficient" for the United States and other members of

the Group of Seven leading industrialized democracies to release \$8 billion in accelerated financial assistance, Bloomberg News reported. The \$8 billion is part of a "second line of defense" for the IMF rescue package.

While the agreement is "very, very constructive and very, very important," Mr. Rubin said, South Korea still faced "great challenges."

Two debt-rating agencies, Moody's Investors Service Inc. and Standard & Poor's Corp., praised the debt accord

but made no immediate change in Seoul's credit rating.

"All I can say is it's an important first step," Thomas Byrne of Moody's told Agence France-Presse. "It adds a greater degree of stability. It looks like Korea has gone to great lengths to firm up its financing needs for 1998 and to openly build up its official international reserves to a more comfortable level."

"But it, in itself, is not enough to

make no immediate change in Seoul's credit rating.

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But he added, "If they don't cooperate, there may be developments and consequences that they will find difficult to live with."

[Secretary of State Madeleine Albright, on what could be a last-ditch shuttle to find a diplomatic solution to the crisis, said Friday in Madrid that Washington's patience was running out, Reuters reported.]

But the Russian prime minister, Viktor Chernomyrdin, said that his foreign minister had told Mrs. Albright that Moscow strongly opposed the use of force against Iraq.]

Mr. Annan made his comments as 2,000 leading international business executives and government officials gathered in this Alpine town for the annual meeting of the World Economic Forum.

Asked if he had a message for the Iraqis, Mr. Annan said, "If they want to see light at the end of the tunnel, it's in their hands."

Iraq, he said, must "cooperate, and cooperate effectively and in a sustained manner with the inspectors."

In recent days, the Clinton administration has laid the groundwork for possible air strikes by bluntly warning Baghdad that the United States is prepared to use force.

Mr. Annan, however, played down the likelihood that the United States

See IRAQ, Page 5

Outsider Enters Japan Ministry

Ex-Prosecutor Takes Over at Finance, Promising 'Discipline'

By Sheryl WuDunn
New York Times Service

TOKYO — Prime Minister Ryutaro Hashimoto picked a former prosecutor Friday as his new finance minister in a move that may suggest a continuing assault on the corruption and clubbiness of Japanese financial circles.

Hikaru Matsunaga, a 69-year-old dark-horse candidate who is chairman of the budget committee in the lower house of Parliament, walks into the top job at the Finance Ministry in the world's second-largest economy as an outsider.

He has little experience in finance or banking, but for many Japanese these days that is an advantage: The system is regarded as so tainted that anyone in the field is viewed as suspect.

In a news conference Friday, Mr.

Matsunaga gave no hint that he would respond to U.S. demands that Japan take bold measures to bolster its economy.

But he said he would try to stimulate the economy within existing guidelines, a statement with enough ambiguity that almost any economic policy is possible in the coming months.

Japan has been absorbed by the corruption scandals that claimed his predecessor and other officials in the Finance Ministry, and Mr. Matsunaga declared that one of his first tasks would be to root out more unethical behavior.

"I think it most important to regain public trust by taking this chance to enforce discipline and to take strict action if anything is wrong and anyone who has done wrong is found," he said.

See JAPAN, Page 5

U.S. Economy Surged in 4th Quarter

Compiled by Our Staff From Dispatches

WASHINGTON — The U.S. economy expanded at a faster pace than expected in the fourth quarter, winding up its strongest annual performance in nine years, as inflation registered the smallest yearly increase in more than three decades, according to figures released Friday.

The nation's gross domestic product — the total value of all goods and services produced within U.S. borders — grew at a brisk 4.3 percent pace in the October-December quarter, the Commerce Department said. That figure is significantly better than the 3.6 percent average of private economists' predictions.

For all of 1997, the economy grew by 3.8 percent, the fastest pace since 1988, when the Federal Reserve Board was stimulating the economy to cushion the

impact of the 1987 stock market crash.

This year, with Asian financial turmoil threatening to slash U.S. exports and send a wave of cheap imports across U.S. borders, economists expect growth to slow to a moderate 2.5 percent.

From the perspective of the Federal Reserve chairman, Alan Greenspan, that could not be happening at a better time.

See GROWTH, Page 10

As Euro Looms, Small Players See Troubling Omens

Dutch Fear Onset of a 'Political' Currency

By John Vincour
International Herald Tribune

group of countries adopting the common currency may mortgage its success. In an interview, he singled out France and Italy as countries whose approach to the EMU could bring it grief.

Mr. Bolkestein asserted that it was "not a good omen" for Europe that neither France nor Italy, in his mind, had achieved the necessary labor market flexibility to function effectively under the regulations of the updated Maastricht treaty. Since Maastricht rules out devaluations as an economic tool, he said, the treaty effectively requires participant countries to free up their labor markets as a motor to economic activity.

The Labour Party of Tony Blair has done this, he said, and so had the Dutch Social Democrats, his party's senior partner in the current three-cornered governing coalition with the left-of-center D66 party.

But France has held on to "a lot of

claimed in good-natured indignation, referring to Europe's tiniest and richest per capita-country.

"I'm not a hard-line nationalist, but..." he said.

The average man, he said, is worried about the consequences of the new European currency and European unity itself.

"We more or less have to go where Europe is going," he said, "but there's a lot of worry over loss of identity and sovereignty."

The final euro coins will get the borders straight. But the uneasy sense remains in Portugal and the other small countries of Europe that the coming of a borderless, tariff-free, single-currency zone will entail unknown sacrifices and possibly transform state and citizen alike.

Currencies, like borders, have always been bulwarks. Now the currencies are going and the borders are becoming even more symbolic.

See PORTUGAL, Page 5

AGENDA

50 Die in Clashes In East Lebanon

Baalbek, Lebanon (Reuters)</b

Seville Politician Killed; Aznar Condemns ETA

'Enough Is Enough,' Spaniards Cry at Rally

Compiled by Our Staff From Dispatches

SEVILLE — A local politician from Spain's governing party and his wife were killed by an unidentified gunman here early Friday in an attack attributed to the Basque guerrilla group ETA, officials said.

Alberto Jimenez Becerril, a city council member, and his wife, Ascension Garcia Ortiz, both 37-year-old lawyers, were gunned down on a street in this southern city while returning home from dinner with friends, authorities said. Both died of bullet wounds to the head.

The gunman shot Mr. Jimenez first and then killed his wife, Spanish news reports said. The couple had three young children.

Mr. Jimenez was the official spokesman for the local branch of Prime Minister Jose Maria Aznar's Popular Party.

"I can feel his children looking at me, asking what we are going to do," Mr. Aznar said sternly at a news conference.

"ETA has killed another town councillor," he said. "This time, in its endless cruelty, his wife, too. No one should have the least doubt that they will pay dearly for what they are doing."

Spanish officials immediately attributed the crime to ETA (Basque Homeland and Liberty), which has killed more than 800 people in its 30-year struggle for an independent state.

In a spontaneous show of revulsion, several thousand people gathered in front of the city hall in Seville, brandishing banners proclaiming "Enough is enough!"

The Plaza Nueva could barely contain the swelling crowds of people, who lit candles as a mark of respect for the murdered couple.

Her Hair Loss Leads Researcher To Baldness Gene (via Pakistan)

New York Times Service

NEW YORK — It must have been one of the more unusual requests for scientific collaboration to reach Quaid-i-Azam University, in Islamabad, Pakistan: a list of Dr. Angela Christiano's research credentials, along with a snapshot of three bald spots on her head.

"I said I'd just been diagnosed a week ago with clumps of hair falling out," said Dr. Christiano, a geneticist and assistant professor of dermatology at Columbia-Presbyterian Medical Center in New York.

A computer search of the medical literature on baldness had led her to the Pakistani researchers, who had discovered people in a remote village with a rare, inherited disorder that left them without a strand of hair any-

Bouquet carpeted the city hall steps and the site of the killing.

The Basque separatist party Herri Batasuna, considered the political wing of ETA, voiced its regrets but stopped short of condemning the double murder.

"When the worst examples of the Basque conflict occur, limiting oneself to false condemnations does not help find a solution," the party's spokesman, Joseba Perinach, said at a press conference in the Basque city of San Sebastian.

Mr. Aznar said ETA was opening an "all-out challenge to Spanish society."

The assassination raised new questions about the protection of Popular Party politicians who have become prime targets of ETA.

It was the fourth murder of a municipal council member attributed to ETA in the past six months and the fifth in the past two years.

All of the previous killings were in the Basque region of northern Spain.

The abduction and killing of Miguel Angel Blanco, 29, a councillor in the Basque town of Ermua, in July sparked national outrage, bringing an estimated 6 million Spaniards into the streets.

Another town councillor, 64-year-old Jose Luis Caso de Renteria, who refused bodyguards despite repeated death threats, was shot in the head in December while drinking at a bar.

ETA considers the center-right governing party the heirs to the late dictator Francisco Franco, who brutally repressed Basque nationalism during his four decades in power.

In March 1995, ETA tried to kill Mr. Aznar, then the opposition leader, as he traveled to his office. He was saved by his vehicle's armor plating. (Reuters, AFP)

where on their heads or bodies.

Writing to her fellow scientists, Dr. Christiano said she suspected that those families held "the only key" to her condition.

The result, published on Friday in the journal Science, is the identification of the first human gene ever linked to hair loss.

The genetic defect described in the journal causes only the rare condition found in the Pakistani villagers, and not the more common types of baldness. Dr. Christiano said.

The newly identified gene appears to play a critical role in the formation of hair, and Dr. Christiano said that understanding its function might help scientists devise better ways to prevent and treat various forms of baldness.

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Tobacco Industry Does About-Face, and Some See a Ploy

By Barry Meier
New York Times Service

WASHINGTON — Four years after top tobacco company officials denied before a congressional committee that cigarettes were addictive, a new crop of executives has appeared before the same panel as supplicants, pledging to release secret company documents, combat teenage smoking and acknowledge tobacco risks in an effort to gain protection from lawsuits.

The testimony Thursday by the chief executives of the United States' five largest tobacco companies before the House Commerce Committee came as Congress began formal debate over the proposed \$368.5 billion settlement reached in June between the industry and about 40 state attorneys general.

The officials sought in both the tone and substance of their

remarks to rally support for the embattled accord and distance themselves from their predecessors, who had declared in a 1994 congressional appearance that they never marketed tobacco to children — and even questioned links between smoking and disease like lung cancer.

Geoffrey Bible, chairman of the Philip Morris Cos., the nation's largest cigarette producer, testified that, in hindsight, he deeply regretted the years of festering conflict that had existed between the industry and anti-smoking advocates. He said the proposed settlement offered a chance to change that relationship.

"Although no one can change the past, I have tried to draw lessons from it, and that is why I believe our priorities and focus should be on the future," Mr. Bible said. "I believe that we are at an inevitable turning point."

But Mr. Bible and other top company executives came under sharp attack by lawmakers who questioned their motives and their sincerity.

Representative Henry Waxman, Democrat of California, released documents showing that Philip Morris marketing officials had been following the smoking habits of children as young as 12. And others rejected as a public-relations ploy Mr. Bible's pledge to release publicly millions of pages of secret industry documents.

Under the June proposal, tobacco producers agreed to pay \$368.5 billion to settle lawsuits filed by states and smokers, restrict cigarette advertising and pay fines if your smoking rates failed to drop. The companies also said they would not oppose some regulation of tobacco by the federal government.

In return, the proposal,

which must be approved by Congress, would give the tobacco producers unprecedented protections against most types of lawsuits and would bar punitive damages.

Mr. Bible and most of the other company officials who testified Thursday acknowledged that nicotine was addictive. And, in dramatic contrast to testimony by tobacco

officials at a similar hearing four years ago, the executives said that smoking either caused lung cancer or was a risk factor in the disease. They also acknowledged that as the term is commonly understood, nicotine is addictive. But they insisted that none of their current marketing efforts were aimed at underage smokers.

WEATHER

Forecast for Sunday through Tuesday, as provided by AccuWeather.



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Bulls Brighten

EU: The Mystery

President Clinton Cut to Get

EU Approves New Overbooking Law

BRUSSELS (AP) — The European Commission proposed regulations Friday that would increase compensation for passengers bumped off overbooked flights and make it harder for airlines to avoid payment.

If the legislation is approved by EU member nations, airlines will have to pay compensation of up to \$380 and provide a new flight or ticket refund.

British Airways plans to start a no-frills, budget airline, called Go, to compete with EasyJet, RyanAir and others that offer cheap flights to Continental Europe. (AP)

Flights from New Delhi could be disrupted Friday evening onward by a strike by controllers and airport officials. (AP)

Pilots for Iberia Airlines disrupted schedules by working slowly for a third day. (Bloomberg)

Qantas won approval from the International Air Services Commission to add flights to China and India. (B

Investigation in Washington / Chasing Evidence

Jones Lawyers Set Back By Ruling on Lewinsky

By Neil A. Lewis

New York Times Service

WASHINGTON — The ruling by a federal judge that lawyers representing Paula Jones in her sexual misconduct lawsuit against President Bill Clinton may not use any evidence involving Monica Lewinsky is a setback for them as they prepare their case.

Judge Susan Webber Wright said that while information about Ms. Lewinsky, a former White House intern, might be relevant to Mrs. Jones's case, Ms. Lewinsky's participation in the Jones sexual misconduct trial could interfere with the criminal investigation being conducted by the independent counsel Kenneth Starr.

As part of that investigation, Mr. Starr is examining Ms. Lewinsky's claims that she had a sexual relationship with the president and that he asked her to lie about it. The president has strongly denied this accusation. The judge acted on a request from Mr. Starr.

The ruling by Judge Wright late Thursday deprives Mrs. Jones of a wit-

ness who was expected to be both sensational and greatly helpful to her lawyers in proving their contention that Mr. Clinton sexually harassed Mrs. Jones while he was governor of Arkansas and she was a state employee.

The judge said that while it might be relevant, the Lewinsky issue was not "essential to the core issues in the case."

Mr. Jones's lawyers had viewed Ms. Lewinsky's charges as useful in helping them convince a jury that Mr. Clinton had a habit of engaging in sexual affairs with young female subordinates.

In his court filing, Mr. Starr complained that Mrs. Jones's lawyers were "shadowing the grand jury's investigation of the Monica Lewinsky matter."

He said that "the pending criminal investigation is of such gravity and paramount importance that this court would do a disservice to the nation if it were to permit the unfeathered and extraordinarily aggressive discovery efforts currently under way to proceed unabated."



Monica Lewinsky and her lawyer, William Ginsburg, in Washington.

Feminists Look to Their Interests and Hold Their Fire

By Terry M. Neal
and Thomas B. Edsall*Washington Post Service*

WASHINGTON — The president of the National Organization for Women, Patricia Ireland, called together her staff this week to discuss allegations that President Bill Clinton had an affair with Monica Lewinsky and later encouraged her to lie about it under oath.

There was consensus that "we wanted to put out a clear statement of our belief that it would be a gross misuse of power for the president of the United States to have a sexual relationship with a White House employee or an intern," Ms. Ireland said.

The NOW staff agreed to press White House officials, including Mr. Clinton, to sign a pledge "to reject sexually intimate relations with employees and volunteers." NOW considered having the group's interns march to the White House brandishing copies of the pledge. But that was rejected, Ms. Ireland said, because it would suggest "we were taking a side, attacking Clinton, as opposed to making a general statement." Instead, NOW decided to circulate the pledge among White House and congressional officials.

Feminist organizations have agonized over the role they should play in the crisis enveloping Mr. Clinton, whom many consider to be among the most supportive politicians in the history of the women's rights movement.

Equally as troubled are the many women, mostly Democrats, elected to Congress in the last decade, who have used their clout to focus attention on issues important to women. Some of those elected women led the charge to force public debates on sexual harassment allegations against Senator Bob Packwood, Republican of Oregon, and Clarence Thomas, the Supreme Court nominee.

Since the allegations about Mr. Clinton became public, many of those women have assiduously avoided reporters, given "no comment" answers or offered vague statements that neither support nor criticize the president. Several women in Congress refused to be interviewed for this article.

Representative Rosa DeLauro, Democrat of Connecticut, has been among the few to make an unequivocal statement either way: "The president made a definitive statement," she said

of Mr. Clinton's denial. "I believe him."

Anita Perez Ferguson, president of the bipartisan National Women's Political Caucus, said: "This is a two-edged sword for us." While members are "real disappointed," Mr. Clinton has promoted more programs for women than any other president, she said.

Senator Patty Murray, Democrat of Washington, who ran for office in 1992, in part, out of outrage over the Senate's handling of Mr. Thomas's confirmation hearing, said she was reserving judgment on Mr. Clinton. In 1995, Ms. Murray was among the most vocal senators urging public hearings into sexual misconduct allegations against Mr. Packwood and Clarence Thomas.

The sounds of silence emanating from the women's groups is pretty stunning," said Linda DiVall, a Republican pollster. "I haven't heard a great rush to endorse or support him, either. But it seems to me that the feminists were very quick off the mark going after Bob Packwood and Clarence Thomas."

But Celinda Lake, a Democratic pollster, said the cautious reaction of feminist leaders mirrored that of women voters.

same charge when feminist groups speak to speak in support of Paula Jones's lawsuit against Mr. Clinton.

An Coulter, a conservative journalist, said in a debate with Ms. Ireland on CNN: "Usually, it's feminist groups jumping in when it's just saying 'honey' or just using speech. This is something completely different. I mean, this is moral turpitude."

"The sounds of silence emanating from the women's groups is pretty stunning," said Linda DiVall, a Republican pollster. "I haven't heard a great rush to endorse or support him, either. But it seems to me that the feminists were very quick off the mark going after Bob Packwood and Clarence Thomas."

With Mr. Packwood, as with Mr. Thomas, the problem was that the women who made the allegations "had been passed aside as nondescript and dismissed," Ms. Murray said. No such pressure is needed in the Clinton case because there is a forum, the judicial system, to deal with Ms. Lewinsky's allegations.

Senator Barbara Boxer, Democrat of California, who was outspoken on the Thomas and Packwood controversies, echoed Ms. Murray's statements: "What is important for the American people to know is that there is a process in place to deal with these allegations."

Kate Michelman, president of the National Abortion and Reproductive Rights Action League, a vocal critic of the Senate's handling of the Packwood and Thomas hearings, said through spokesman about Mr. Clinton: "At a time when there are so many rumors and innuendos flying around, it would be inappropriate to make a comment."

Critics see the cautious approach as evidence that many Democrats and feminists are willing to suspend their outrage over such issues when it is politically convenient. Conservative leaders, male and female, made the

Polls suggest that women are more likely to reserve their opinions, while men are more harshly judging Mr. Clinton.

"Number one, these allegations have not been proven," Ms. Lake said. "Secondly, there was a feeling that Thomas and Packwood violated their public roles, and there's no evidence that Clinton did that."

Complicating the issue for some women's rights advocates is that Mr. Clinton, unlike Mr. Packwood and Mr. Thomas, has not been accused of sexual harassment in the Lewinsky case. Some acknowledge, however, that one by-product of the heightened, politically sensitive environment they helped create is that relationships between powerful superiors and subordinates are now commonly seen as coercive even when there is no specific allegation of harassment.

INQUIRY: 2 Female Antagonists of Clinton Defend Acts in Jones and Lewinsky Cases

Continued from Page 1

isks. She denounced reports by Andy Bleiler, a former drama teacher who revealed Tuesday that he had had a five-year affair with Ms. Lewinsky. Mr. Bleiler's attorney, Terry Giles, said Mr. Bleiler and his wife thought Ms. Lewinsky had "a pattern of twisting facts."

The Bleiler testimony, Ms. Carpenter-McMillan said, was a "vintage" White House defense tactic. "It is so reminiscent of what the White House tried to do to Paula" in her suit against Mr. Clinton, she said.

The comments by the two women came a day after a federal judge overseeing the Paula Jones civil suit against Mr. Clinton ruled that testimony pertaining to Ms. Lewinsky was not relevant to that sexual harassment case and could not be heard. That ruling was welcomed by Mr. Clinton's private attorney, Robert Bennett, who said it was a "huge" boost for the president's side.

And Friday, too, was generally an upbeat day at the White House, with one poll showing that the president's job approval rating had reached an all-time high of 73 percent. The White House spokesman, Michael McCurry, called the polls "a testament to the American public's common sense." Mr. Clinton, keeping to his regular schedule of appearances, was warmly welcomed by Democratic and Republican mayors in a meeting at the White House.

After maintaining a discreet silence during the early days of the crisis, there were signs that Republicans were growing impatient with their strategy. The Senate majority leader, Trent Lott of Mississippi, told a conservative group that "honesty, credibility, integrity, decency and trust do make a difference."

His allusion to the president's problems was clear and drew loud applause.

And Senator John Ashcroft of Missouri, a former governor known to have presidential ambitions, said that if the allegations against Mr. Clinton were true, he should resign.

"It is time for us to say that which we want to be right. To say, 'Mr. President, if these allegations are true you have disgraced yourself, you have disgraced your office and the office of the presidency and you should leave,'" Mr. Ashcroft said in a speech to the Conservative Political Action Committee in Arlington, Virginia.

Meanwhile, a federal grand jury in Washington held its fourth consecutive day of hearings Friday into allegations that Mr. Clinton had an affair with Ms. Lewinsky, and that he and Vernon Jordan, a Washington lawyer close to the president, asked her to lie about it.

It apparently was the first time the grand jury had deviated from a pattern of meeting only on Tuesdays and Thursdays. Its work continued in tandem with hearings by a separate grand jury across the Potomac River in Arlington.

A potentially important witness, Evelyn Lieberman, a former White House deputy chief of staff, entered the Washington courthouse without comment.

It was Ms. Lieberman, now director of Voice of America, who reportedly grew dissatisfied with Ms. Lewinsky's performance at the White House and helped arrange a job for her at the Pentagon.

The investigation headed by the independent counsel, Kenneth Starr, aroused angry criticism from Democrats by subpoenaing a man it said had only a peripheral connection to the case.

Robert Weiner, chief of press relations in the Office of National Drug Policy, said he was asked by the grand jury whether the White House had encouraged him to make phone calls to Democratic officials in Howard County.

Should Mr. Starr fail to secure Ms.

Republicans, on Attack, Try Out the High Road

Clinton's Credibility Broadly Questioned

Los Angeles Times

WASHINGTON — Although Mr. Clinton's spending plan will not be released until next week, the Republican leaders of the budget process in Congress — Senator Pete Domenici of New Mexico and Representative John Kasich of Ohio, are estimating that the cost of programs Mr. Clinton proposed could cost as much as \$50 billion.

They also question the president's assertion that those initiatives can be funded without curtailing existing programs or raising taxes.

For the record, Republicans said Thursday that their growing focus on Mr. Clinton's credibility was simply a by-product of an ongoing philosophical debate over public policy.

"I think you can make the case that this is related, but it certainly is not in our minds to do that," said Representative John Doolittle, Republican of California.

In attacking Mr. Clinton's credibility over economic issues, Republicans themselves may face a credibility challenge.

"Republicans naturally want to make certain the American people get that message."

On Capitol Hill on Thursday, for example, Jack Kemp, the Republican candidate for vice president in 1996, accused Mr. Clinton of "deceiving the American people" by "using wily half truths."

Mr. Kemp was taking issue with Mr. Clinton's assertion that the income tax burden on the middle class was at a 20-year low.

"So you have a credibility problem on both sides of the aisle," said Roger Davidson, a professor of government and politics at the University of Maryland.

"But it's understandable that the Republicans would use this ammunition to make their point."

For Democrats, the Republican tactic is beginning to rankle.

"It's very clear that, although they want it to appear that they are not trying to use the allegations against the president, they are in fact very discreetly and subtly raising the issue — through the use of language at every chance," said Representative Jim McDermott, Democrat of Washington.

Lewinsky's cooperation, he would lose the person who is able, apparently, to provide the testimony that would be most troublesome to the president.

The Jones trial is still set for May 27. Lawyers said the order by Judge Susan Webber Wright of U.S. District Court, which said Ms. Lewinsky was not relevant to the case, made sense. Mrs. Jones's attorneys wanted to demonstrate a pattern of behavior by Mr. Clinton, who allegedly made sexual advances to Mrs. Jones in 1991, but there has been no suggestion that Ms. Lewinsky was sexually harassed by Mr. Clinton.

In Little Rock, Arkansas, the federal judge who on Thursday ruled the Lewinsky issue could not be raised at the Paula Jones trial issued the ruling Friday on the secret service. The ruling could have implications for Mr. Starr's investigation as well.

U.S. District Judge Susan Webber Wright ruled that the Secret Service can ignore subpoenas from Mrs. Jones's attorneys seeking information about any presidential affairs.

Judge Wright's ruling does not apply to Mr. Starr's efforts. In fact, it notes that Mr. Starr is seeking Secret Service information and she does not want to interfere with his probe. But it supports the legal arguments the agency is prepared to use if Mr. Starr also subpoenas agents.

But Judge Wright's ruling on the Lewinsky issue means that Mr. Clinton's lawyers will be unable to depose Ms. Lewinsky and Ms. Tripp to get an inside glimpse of how Mr. Starr's investigation is proceeding.

In the two-page statement released Friday by her attorney, Ms. Tripp said "every detail" of the alleged relationship during hundreds of hours of conversations the two had over 15 months. The women worked together in a Pentagon press office after both left the White House.

In addition to overhearing "late-night phone calls from the president while spending the night in Ms. Lewinsky's guest room, Ms. Tripp said she "was also present when Monica made and received numerous phone calls which were of a volatile and contentious nature directly relating to her relationship with the president." The statement did not elaborate on those calls.

STRATEGY: White House Decides It's Time to Hunker Down

Continued from Page 1

the White House after she no longer worked there, and the precise dates of Mr. Clinton's conversations with her in recent weeks.

The issue, said several aides speaking on condition that they not be identified by name, is no longer that Mr. Clinton's lawyers do not know answers, but that they see no legal self-interest in having the president give them.

"I don't think the facts are all that complicated," an adviser said. "But I think it would be ludicrous for the president to say anything."

Even after newspapers have given detailed accounts of events — such as a meeting Ms. Lewinsky and Mr. Clinton held on Dec. 28, after she was subpoenaed to testify in the Paula Jones case — the White House has said nothing. While spokesmen have declined to contradict the reports, neither will they confirm them. Increasingly, silence is the rule.

"I am out of the loop," the White House press secretary, Michael McCurry, said Thursday. He joked that his daily briefings, which in recent days have been carried live on several tele-

vision channels, have become a game of "bus the piñata" — with Mr. McCurry the piñata and reporters the sticks.

Yet the say-nothing tactic has left the White House in an awkward position. Mr. McCurry has been besieged by demands to explain why — if Mr. Clinton's denials of a sexual relationship with Ms. Lewinsky and encouraging her to lie are true — it would somehow hurt his legal case to give a detailed accounting of their relationship.

But the answers have remained opaque, with the spokesman saying only that Mr. Clinton is facing Mr. Starr in a "hostile proceeding."

Only on a not-for-attribution basis will White House aides expand on this. Their allegation is that once Mr. Clinton offers a public version, Mr. Starr might pressure Ms. Lewinsky to tailor her story so that it contradicts the president's.

What was once a robust debate between Mr. Clinton's lawyers and his political advisers about how much he should say about the controversy has been dormant for days.

The White House counsel, Charles Ruff, and Mr. Clinton's personal attorney, David Kendall, have so thor-

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CROSSROADS INTERNATIONAL CHURCH (Interdenominational & Evangelical Sunday Service: 10:30 a.m. & 11:30 a.m./Kids Welcome, De Ceuvelstraat 3, S. Amsterdam Info: 020-841 8812 or 020-845 653.

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NICE (Holy Trinity (Anglican)), 11 Rue des Bons-Raisins, 06200. Sun. 11:30 a.m.; VENCE: St. Hugh's, 22 av. Resistance, 9 a.m. Tel: 04 93 87 19 93.

FRANKFURT

English Speaking International Church (Protestant), Lohrstrasse 1, 6031 Frankfurt, Germany. Tel/Fax 069-2831777, Mass schedule Saturday 5 p.m., Sunday 10 a.m. Confessions: 1/2 hour before Mass.

PARIS and SUBURBS

EMMANUEL BAPTIST CHURCH 56, rue des Bons-Raisins, 60200. Rueil-Malmaison. Worship: 8:45 a.m. 11:00 a.m. Sunday School. Tel: 01 47 51 29 63/01 47 48 15. Info: Rev. Bill Ronchene. Pastor: T-01 43 33 04 05 Males 1 to Defense Espagnole.

Saint Joseph's CHURCH (Roman Catholic), MASS IN ENGLISH: Sat. 6:30 p.m., Sun.: 9:45 a.m., 11 a.m., 12:15 p.m., 6:30 p.m. 2nd Avenue Hotel, Paris 801 Tel: 01 42 27 29 56. Missa Chalice de Gaudi - Eccl.

on Attack, High Road Roadily Questioned

Although Mr. Clinton's spending bills will not be released until next week, the Republican leaders of the budget process in Congress, Senator Pete Domenici of New Mexico and Representative John Kasich of Ohio, are estimating that the new programs Mr. Clinton proposed would cost as much as \$15 billion.

They also question the president's assertion that those initiatives can stand without changing existing laws. For the record, Republicans say Mr. Clinton's spending focus is the product of an ongoing philosophy separate from public policy.

"I think you can make the case that this is related, but it certainly is not," said Rep. John Doolittle, Republican of California.

In attacking Mr. Clinton's credit line over economic issues, Republicans themselves may face a credibility crisis.

After all, not one Republican was for the president's last economic bill, and at the time party leaders predicted world cause would grow worse, an ever greater deficit.

Instead, the opposite happened, with the economy posting strong numbers and the deficit making way.

"So you have a credibility problem on both sides of the aisle," said Rep. Doolittle, a member of government and politics at the University of Maryland.

"But it's a credibility crisis that the Republicans are creating and it has to make them pay."

For Democrats, the Republicans' argument is beginning to wear thin.

"It's very clear to us that they want to appear to be the ones who are to use the budget as a political weapon, they are not," said Rep. John Gutfreund, ranking Democrat on the House Select Committee on Small Business.

Rep. John W. Larson of Connecticut

and Leinenkugel Cases

France Tougher on Iraq

Paris Warns Baghdad of 'Very Grave Consequences'

By Craig R. Whitney
New York Times Service

PARIS — Reinforcing American threats of military action, France warned Iraq on Friday that it faced "very grave consequences" unless President Saddam Hussein allowed United Nations inspections of suspected chemical and biological weapons sites to resume.

French officials said after a half-hour telephone conversation between President Jacques Chirac and President Bill Clinton on Friday evening, Paris time, that Mr. Chirac had agreed to use his own channels to convey the seriousness of the situation to Iraq, and to use French influence with Russia and China to agree to a strong United Nations resolution calling on Iraq to cooperate with the UN inspections.

If Iraq complied, Mr. Clinton would be "open" to the possibility of allowing Iraq to sell more oil for money to buy food and medicine for its beleaguered civilian population, French officials said.

France, siding with Russia, argued then that American implacability toward Mr. Saddam was driving him to defy the UN resolutions requiring Iraq to get rid of all its nuclear, chemical and biological weapons and submit to inspections to ensure compliance. If Iraq knew that complying would get the economic sanctions lifted, the French argued, it might have a reason to cooperate.

That remains France's position, but French officials now say they share American irritation with Mr. Saddam's behavior. "We don't understand what he thinks he is doing," one official in the decision-making process said.

Beware of Saddam Trap, French Say

Though ready to assist the growing U.S. pressure campaign on Iraq, French national security officials have privately told their American counterparts that it would be a mistake to go through with the threatened attack. The Washington Post reported from Paris.

"If there is a military strike we will fall into the trap Saddam Hussein is preparing for us," a senior French official said.

"He is prepared to suffer a strike. He will rally his population around him. He will have Arab opinion on his side, and he will say, 'O.K., now for the inspections, it is finished...'"

French officials are arguing that an untimely end to the UN inspections program would be a grave loss to efforts to eliminate Iraq's weapons program.

IRAQ: UN Chief Warns Saddam He Stands at 'Precipice'



Secretary of State Madeleine Albright and the Russian foreign minister, Yevgeni Primakov, arriving at Madrid airport for talks Friday. Moscow strongly opposed the use of force against Iraq. (Associated Press)

Continued from Page 1

would act without the agreement of its allies. "I think everybody has agreed that it would be good to keep the coalition," he said, "and I think Washington understands that."

Speaking of Mr. Saddam, Mr. Annan said that "quite a lot of effort has been made by French and Russian officials to get him to understand the implications of sustaining the position he has taken."

"It would be foolhardy to sustain this position and have another setback, particularly for the Iraqi people," he added.

On what appeared to be a last-ditch diplomatic shuttle to solve the Iraq crisis, she met Mr. Primakov to hear the results of a mission to Baghdad by a special Russian envoy.

"I remain skeptical that diplomacy will solve this problem," Mrs. Albright said after a two-and-a-half-hour meeting with Mr. Primakov.

"Our patience is running out and our diplomatic route is all but exhausted," she said. "Unfortunately, there is no concrete evidence that Iraq is negotiating other than for a last resort," Mr. Annan said.

Asked if Washington or its allies had indicated what might be achieved by a military strike against Baghdad or if there was strategy for what to do afterward, Mr. Annan said this was a matter that the UN Security Council would discuss.

"I do not want to prejudge what they do or say," he added. "That

would place their deliberations in an awkward situation."

Russian-U.S. Split Endures

Russia and the United States remained at odds over Iraq on Friday. Reuters reported from Madrid.

Mrs. Albright said after meeting with the Russian foreign minister, Yevgeni Primakov, at the Madrid airport that Iraq needed a "strong message" that the international community would not tolerate its obstruction of arms inspections.

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PORTUGAL: Fears of a Small EU Country

Continued from Page 1

"There is no room left in this world for smaller countries unless they manage to be accepted into the club of the rich countries," said the Portuguese novelist Jose Saramago on a visit to Germany last fall. "The smaller countries have nothing much left to them than to negotiate the best possible price for their vote."

It's true that Portugal, like Belgium or Ireland, has little choice but to go along with the economic unification of Europe. And possibly Europe's smaller countries have much to gain in what promises to be the world's second-largest currency and economy.

Portugal's economy is closely tied to Spain's, and its top export market is Germany. As the Swiss are discovering, economic isolation from the new continental behemoth is bound to have ill consequences. The Portuguese, in any case, have little objection. In polls, they favor the European currency by wide margins.

Italy and Spain, it appears, also will be in the first round of 11 countries expected to be selected in early May. The new currency is scheduled to come into effect Jan. 1, at which time public and private borrowing and foreign-exchange transactions will begin to be priced in euros. Over the following three years, national currencies will be phased out and replaced by euro notes and coins.

The manifestations of Portugal's economic success are evident in a vast construction boom that has torn up city thoroughfares and churned the earth along new superhighways.

On a Sunday afternoon, the parking lots of huge shopping plazas are jammed with cars; during the week, the cars surround clean factories in industrial parks. The Lisbon stock exchange is hot, and investment bankers are looking kindly on privatization projects and other Portuguese opportunities.

DUTCH: Politics of European Monetary Union Questioned by a Potential Prime Minister

Continued from Page 1

old-fashioned left-wing thinking," according to Mr. Bolkestein, and this will mean inflationary pressures on the new common currency and negative effects on the capital built up in Dutch pension funds.

France is "still light years away" from the labor market reforms that would make it a confident partner in a common currency, he said. This is true to a lesser extent in Germany, he continued. But it was the French Socialist government that had made "sterile" and "irresponsible" choices in proposing 35-hour work week for 39 hours' pay.

Essentially, in the run-up to the euro, Mr. Bolkestein said, "politics are taking dominance over economics and that is not a good thing."

"It's the heavy hand of Jacobinism. The basic thing is I voted for an economic

euro and I'm getting a political euro. When Mr. Chirac says 'of course, Italy must join,' then he is saying we need the euro for political reasons, and I don't see

talking this way is not new for Mr. Bolkestein, and it certainly is not calculated to do him harm in the domestic electoral context since France moved to block the appointment of Wim Duisenberg, a Dutchman, as the first president of the European Central Bank. But he is insistent in portraying his concern about the EMU as deeply felt.

Mr. Bolkestein tells the story of meeting recently with a Bundesbank governor who told him that the EMU's central risk was no longer whether it would come into being, but whether it would collapse after three, four or five years.

The politician's reaction was: "I see no reason that it should collapse if the candidate countries satisfy the criteria in

an honest and forthright way."

But his next sentence touched on Italy, and its tone wasn't favorable. Mr. Bolkestein mentioned the Maastricht criteria's requirements relating to public debt as a percentage of gross national product, and insisted that "it must descend in a persuasive manner — which the Italian debt doesn't."

If there are still subpar performances among the candidates when the Parliament debates here April 28-29 on who the government should back for entry into the euro next year, then Mr. Bolkestein says, without further specifics, "The most I can do is to tell our government to vote against countries that don't come up to standard. That will be done by a resolution by the house."

Considering the fragility of Holland's alliance-based politics, there is almost no likelihood that the government would ever from such a resolution when it votes

on the subject in Brussels at the meeting of the European Council on May 1, 2 and 3.

Mr. Bolkestein says he is sure that the Dutch discussion will attract attention in Germany where a Bundestag debate on who participates in the euro is tentatively scheduled for April 27 and 28.

The Netherlands would have to reckon with "some backlash" if it voted against a candidate, Mr. Bolkestein acknowledges, but he adds that it would do no good to be quiet now and say "I told you so" in four or five years. From his country's point of view it is important to speak out now because it has no alternative to going forward with Europe.

"The Brits can stay separate," Mr. Bolkestein said, "but we're very much tied to the Continent, Germany in particular. It will not in practice prove possible for us let the EMU come into being without ourselves being a member."

U.S. Calls China More Tolerant Of Dissent

The Associated Press

WASHINGTON — The State Department said Friday in its annual report on human rights worldwide that China took a "somewhat more tolerant" attitude toward dissent last year but that serious rights problems remain.

The government exhibited some limited tolerance of public expressions of opposition to government policies and calls for political reform, the report said. It said that during the year, a number of dissidents, academics and former officials issued public statements, letters or petitions challenging the government's policies and calling for reform.

A year ago, the report asserted that "all public dissent against the party and the government was effectively silenced." There is no such conclusion in this year's report. Nonetheless, it found that China during 1997 "continued to commit widespread and well-documented human rights abuses, in violation of internationally accepted norms stemming from the authorities' very limited tolerance of public dissent."

The report, mandated by Congress, covers all countries and dependent territories and has been issued annually for two decades. "Strong authoritarian governments in many parts of the world kept themselves in power through systematic abuse of the human rights of their citizens," the report said. "The dismal scenario is all too familiar."

Speaking in Davos, his prime minister, Mr. Chernomyrdin, said:

"Everything must be done to find a political solution. Bombing would make matters worse, not only in the Middle East but in the world at large. We have to use all other available means and negotiations."

Mrs. Albright has warned Iraq that Washington is prepared — with or without international support — to attack from its force of 30 ships and 300 warplanes in the Gulf.

Iraq has declared what it terms presidential sites off-limits to the inspectors.

It also denies that it has developed chemical or biological weapons and demands the lifting of economic and other sanctions imposed by the United Nations after Iraq invaded Kuwait in 1990.

A UN official in Baghdad said that a few dozen staff members were moving into designated hotels in time to meet a late Saturday deadline after Iraqi authorities asked them to leave their private housing for "security reasons."

The two diplomats entered the meeting sharply at odds over how to handle the crisis, and the talks appeared to have done little to narrow

their differences. In response to Mrs. Albright's expression of impatience with Mr. Saddam, Mr. Primakov said: "We're a little more patient."

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EDITORIALS/OPIION

Herald Tribune
INTERNATIONAL

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Turkish Abuses

Turkey's secular leaders like to talk about the subversive activities of Islamic politicians and Kurdish separatists, but the gravest threat to democratic order in Turkey in recent years seems to have come from the secular leadership itself. An official investigation has found that between 1993 and 1996 the government of Prime Minister Tansu Ciller connived with drug gangs, gambling moguls and right-wing hit men to assassinate enemies at home and abroad and to sponsor a failed coup attempt in nearby Azerbaijan.

The current prime minister, Mesut Yilmaz, has properly expressed outrage at these abuses and promises further inquiries into possible misconduct during the Ciller era. But the problem was not limited to Mrs. Ciller's term, and Mr. Yilmaz must not restrict further inquiries to protect government agencies and officials. His recent declaration that he opposes probing into areas that would "harm the state" sounds like a transparent pretext for circumscribing further investigation.

The initial investigation was spurred by the 1996 crash of a car carrying, among others, a senior police official, a drug smuggler wanted on murder charges and a pro-government Kurdish militia leader.

These unlikely companions were

—THE NEW YORK TIMES.

U.S. Aid to Israel

Israel is proposing a fundamental and positive change in the large part of its relationship with the United States that is shaped by U.S. foreign aid. Right now it is a favored and conspicuous aid recipient. For 20 years, since its peace with Egypt, it has received an annual \$1.2 billion in economic aid. That would now be phased out in 10 or 12 years, ending Israel's status as an economic dependent.

For two decades Israel has also been receiving \$1.8 billion annually in military aid. This would not only continue but would increase over the next decade to \$2.4 billion, confirming Israel's status as a strategic partner.

Certainly it makes no sense for Israel to linger on as an economic client. It is unnecessary and demeaning. In the long period since Israel started getting the \$1.2 billion in economic aid, its gross national product has increased from \$20 billion to a stunning \$98 billion. Israel is, by world standards, a rich country. That \$1.2 billion would be much better spent for the development of genuinely needy countries. That's what foreign aid ought to be for. Nor should the Israelis

—THE WASHINGTON POST.

Tobacco Trance

The chief executives of the major U.S. tobacco companies told Congress Thursday that they could not "agree," as one unfortunately put it, to comprehensive tobacco legislation that did not include limits on their future liability. It was an odd and anachronistic choice of words in testimony otherwise carefully crafted by the companies' public relations people to sound somewhat between virtuous and contrite.

The implication was that this was still to be regarded as a deal instead of an act of Congress and an expression of national policy. But the deal stage has been left behind, and the Founding Fathers left the tobacco industry out of the constitution. The companies may once have had the political power to block what they continue to resist; they don't now. "We don't need the tobacco industry's blessing" to pass a bill, Representative Henry Waxman said, and he's right.

The industry looks upon limited immunity as the quid pro quo for all the rest that is likely to be in the bill — the money it would have to pay, the marketing and other regulations to which it would become subject.

The executives made no secret of that Thursday. Nick Brooks, chairman and chief executive officer of Brown & Williamson Tobacco Corp., said in prepared testimony that the likely effect of any legislation would be declining sales, and "as declining sales are spread over our fixed costs, our profits must fall."

He continued: This is "the reason we cannot agree to any legislation that does not include the limited, common-sense civil liability protections" in the deal the companies struck last summer with the state attorneys general who were suing them. "We cannot agree to give up our constitutional rights to market our products to adults and consent to crushing annual payments and

—THE WASHINGTON POST.

Other Comment**Moderating Growth**

To date, we have as yet experienced only the peripheral winds of the Asian crisis. But before spring is over, the abrupt current-account adjustments that financial difficulties are forcing upon several of our Asian trading partners will be showing through here in reductions in demand for our exports and intensified competition from imports. All of this suggests that the growth of economic activity in this country will moderate from the recent brisk pace.

—From prepared testimony by Federal Reserve Board Chairman Alan Greenspan before the Senate Budget Committee Thursday, reprinted in *The Washington Post*.

Herald Tribune

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Sex, Nihilism and American Democracy in Danger

By William Pfaff

PARIS — If President Bill Clinton is forced out of the White House, I certainly will not miss him. I has been the baby boomers' president, so much the worse for them. I nonetheless think that what is happening to bring him down is a sinister signal about the future of American government and public life.

He is being tracked as a liar, but as a liar about sex. His sexual conduct may be disreputable and undignified, but that is his concern and that of his wife and lovers. It is not properly a public concern.

Sex and power go together. Powerful men, and men who seek power, are often sexually predatory, and position and power are often seductive to women. All this is common observation, which political biography in every country confirms. It has, in general, nothing to do with an individual's ability to perform public duties with responsibility and success.

The special prosecutor, Kenneth Starr, is attempting to determine whether Mr. Clinton is guilty of perjury or suborning perjury, but this is perjury concerning sex. In principle the affair is about lies and trust, but the subject of the alleged lies is sexual conduct and not the fraud which is the subject of the Whitewater prosecutor's mandate.

Mr. Starr's investigation has pro-

gressed from the Whitewater land speculation affair to an investigation of whether Mr. Clinton is guilty of lying about his sexual behavior in a deposition given in the Paula Jones case, or of suborning lies, with the argument that such lies may demonstrate a pattern of lying behavior relevant to Whitewater.

Few people lack episodes in their private lives of which they are ashamed, which they want to keep private, and about which they might lie, if pushed to do so. A confrontation with a television camera, a microphone shoved in the face by a reporter asking brutal questions, does not invite confession or nuanced explanation. There are few in Washington who could not be caught out in this way, on some private subject, by someone determined to do it.

Doing so is a new development in American public life. Public interest in the sexual morality of politicians is not new; the American puritan temper has never accepted a French-style distinction between the private and public lives of political figures.

Nonetheless, in the past, press, public opinion and the law have generally made reasonable judgments about what could be tolerated as private behavior and what was illegal or scandalous

conduct that undermined public trust and deserved public condemnation.

Now private behavior is under public scrutiny, lies about private behavior invite legal scrutiny and no one is safe.

The press no longer is able to draw lines

because competitive pressure assures that absolutely anything will eventually find someone to publish it.

Once it is published, every other press or broadcasting medium will publish the fact that it has been published. Prosecutors and defense attorneys no longer have scruples about what they reveal to the press in order to influence public opinion.

In the past 10 days every rumor about the president, however sordid, however irresponsible the medium in which it first appeared, has immediately been broadcast and printed by the mainstream media, which attach disclaimers to the reports and disclaim responsibility for the rumor, since it has already been published.

Foreign observers ask how Americans can claim to lead the world when the country behaves in this way. This is not the problem. The cabinet departments and the established policies of government have, in the short term, their own inertia and continuity. Presidents are replaceable; their successors are elected at the same time they are.

It also is true of social phenomena

that nothing ever lasts. Excess produces puritan reaction; the Regency in England was succeeded by Methodism and Victorianism; the roaring '20s in the United States were followed by the sober and censorious 1930s and '40s.

Commercial television's virtual takeover of American politics, the phenomenon chiefly responsible for these developments, has been described as a revolution because it has drastically changed American political culture and the way the government, the political process and the press all function.

But a revolution is an event with an outcome, sometimes a positive one. For what is happening today, the accurate analogy comes from pathology. A lethal virus has been introduced into the American system and is devouring the national substance. We witness what is, collectively, nihilistic behavior, destruction for the sake of sensation without constructive purpose.

It is making the United States ungovernable. The presidency cannot survive if every president is subjected to inquisitorial moral surveillance. Democratic politics cannot survive if campaigns and partisan competition are conducted by character assassination. The American system is not invulnerable.

International Herald Tribune
Los Angeles Times Syndicate

Copycat Newsounds Put the Media's Credibility at Stake

By Richard Harwood

WASHINGTON — It has been only a week or so since the media engulfed the United States in a tale of sex, deceit and dishonor at the White House. But doubts about how we have handled the tale are beginning to surface within the news business and elsewhere.

Our competency is questioned. Our susceptibility to political manipulation is debated. The parasitical nature of the news-gathering process and the superficiality of much of our reporting are exposed to public examination.

Our credibility, already at uncomfortably low levels, is again at risk. We have gambled with the president's reputation (and our own) on the basis of somewhat shaky evidence and have extrapolated from it speculations about his impeachment or resignation that appear to some journalists as flimsy by the hour.

The public, according to the

polls, is not overwhelmed by our breathless disclosures thus far. Barring a conviction on perjury or obstruction of justice, they want Bill Clinton to finish his term, chaste or not.

I very much doubt that any media organization if hauled into court today could prove the story we have been reporting: that Monica Lewinsky for many months was President Clinton's paramour, however that term is finally defined.

So far as I can discern as a mere reader of the news, no journalist on this story has ever met, talked or corresponded with Monica Lewinsky. We know nothing substantial about her personal history, her reliability or her veracity. So we are in no position to judge the truth or falsity of her claims.

The press is emboldened, of course, by the president's history, which is replete with tales

of presumed infidelities and sexual excesses. This gives the media latitude to speculate and clutch but is not, as the lawyers say, "probative" vis-à-vis Monica Lewinsky. And without Monica Lewinsky, her lawyer has said, this new "scandal" evaporates.

The only "truth" we can be certain of at this point is that Kenneth Starr, the independent prosecutor, is investigating her allegations, which were made in tape-recorded conversations with Linda Tripp, a co-worker in the Pentagon press office.

Mr. Starr insists that he has arrived at no judgments in the case and gives the president the obligatory presumption of innocence. It is a matter of record that he has filed no charges against President Clinton.

Mr. Starr is reported to have in his possession 17 or 18 tapes containing 20 hours or more of

conversation between Ms. Lewinsky and Ms. Tripp in which Ms. Lewinsky describes in lascivious detail her relationship with the president. But so far as I know, no journalist or media organization — with one or two exceptions — has ever heard any part of these tapes.

It is certain that Newsweek did. One of its reporters, Michael Isikoff, writes that on Jan. 17 he and his editors listened to one of the tapes and made a transcript of it. Excerpts from that transcript and other material from Mr. Isikoff's work were made available on the Internet, found their way into media all over the world and became the nearest thing to "evidence" that an affair had taken place.

This was a striking example of the parasitical phenomenon in journalism: thousands feeding on the work of a single reporter or media organization. We consider it an acceptable form of plagiarism, and it occurs frequently.

It becomes most obvious, as in the present case, when a story, in its essentials, stalls after the first salvo of disclosure. To the best of my knowledge, none of the thousands of journalists now pursuing in one way or another the Lewinsky-Clinton tale has advanced in any substantive form the basic facts assembled by Newsweek.

Everyone — the press and the independent counsel included — is fishing in uncharted waters. Before long we will know if Mr. Starr gets his star witness, the unpredictable Monica Lewinsky, and whether he can persuade a grand jury to return indictments. Someone is going to be embarrassed — us (the media) or them (the Clintons and their disciples). However it turns out, the sky absolutely and positively won't fall down.

The Washington Post.

In an Angry Japan, Hashimoto Could Be the Real Loser

By Roger Buckley

TOKYO — The resignation of the Japanese finance minister, Hiroshi Mitsuzuka, surgically lances a boil that threatened to destabilize the coalition government of Ryutaro Hashimoto.

The speedy end to the crisis may prepare the way for parliamentary deliberations on emergency budgetary measures designed to shore up Japan's beleaguered financial sector. It also indicates the depth of public anger at the recent spate of scandals involving elite bureaucrats at a time when the nation's economy is experiencing negligible growth.

The fact that Mr. Hashimoto

gave in so rapidly to opposition calls for Mr. Mitsuzuka's head suggests that it is becoming increasingly difficult to maintain his authority over the tripartite coalition. It is also possible that the position of the prime minister may be called into question unless Mr. Hashimoto is seen acting to stop the misuse of powers by the bureaucracy.

The Japanese public has for decades accepted that politicians operate in a money-tainted world where endless compromises are necessary. Such cynicism was balanced until recently by a fair degree of respect

for the bureaucracy. This band of the best and brightest, drawn very largely from graduates of the law faculty at Tokyo University, was generally believed capable of placing national interests above the immediate monetary interests of lesser mortals. Much of the credit for getting Japan moving again after the war was accorded to that band of civil servants.

Those days are now clearly over, but the influence that the bureaucrats hold is still considerable, and in the present cold economic climate it makes good business sense for corporations to stay on the right side of these officials.

For the moment, though, public service is not what the people think of when they see the men in suits. Television news footage of Tokyo district public prosecutors raiding the Finance Ministry's banking bureau helped put an end to that. Too many senior bureaucrats have been caught with their hands in the till for the conventional picture to carry much conviction any more.

Mr. Hashimoto has had no choice but to throw the experienced Mr. Mitsuzuka, a senior leader of the Liberal Democratic Party, to the wolves. This will buy the prime minister some time, but it is far from clear whether Mr. Hashimoto can do much but bumble from one crisis to the next.

His aim for now is to shore up the troubled financial sector by gaining Diet approval for vast extra funding to inject if necessary into less than steady banks. His cabinet is also slowly getting banks to reveal a more accurate picture of the bad loans that they have preferred to underestimate or conceal since the Japanese economic bubble burst nearly a decade ago.

Leading Japanese financial officials have taken pains recently to reassure the world that there will be no more bank or brokerage collapses. Likewise, Mr. Hashimoto has pledged that his country will not be the lead

er of any global economic melt-down.

But what the Japanese electorate wants to see is clearer action by its government in meeting the continuing financial scandals. Each time it bears of fresh outrages involving officials and the financial sector that they are supposed to be policing, the public loses even more confidence in its authorities.

The incestuous links between the once world renowned economic bureaucrats and Japan's overregulated banking, insurance and brokerage houses deserve to be reassessed. Civil servants and financiers have to stop living in each other's pockets.

The size and global importance of the Japanese economy make this an immediate priority for the Hashimoto government.

With elections to the upper house of Parliament due this summer, time is running out on all the fine-sounding promises of genuine reform.

It would be foolhardy to imagine that the public will easily forgive or forget the bribery and golf course outings. The present cabinet's popularity is slipping fast. Japan is in for a long session of bureaucratic bashing and the real loser could be Mr. Hashimoto.

The writer, who teaches history at the International Christian University in Tokyo, contributed this comment to the International Herald Tribune.

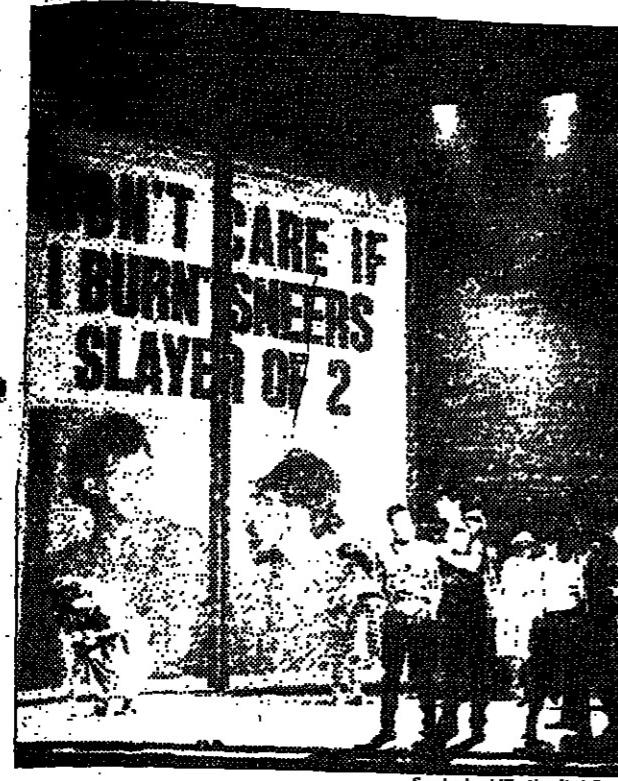
IN OUR PAGES: 100, 75 AND 50 YEARS AGO**1898: Timid Capital**

PARIS — [The Herald says in an Editorial:] The attitude of the Senate checks all currency legislation, in spite of President McKinley's declarations in favor of a gold standard, and will prolong the uncertainty in regard to the future until after the Congressional elections.

The result is that capital becomes timid, hesitating to engage in new enterprises, and idle money is piling up

Danger

...basis. Excess prosecution; the Regency in... succeeded by Methodism ...the roaring '20s in... were followed in... various 1930s and '40s... television's virtual... responsible for these... has been described as a... because it has drastically... American political culture and... government, the political... press all function... is an event with an... sometimes a positive one... comes from pathology... which has been translated into... system and... during... effectively... behavior for the sake of... conservative purpose... the United States... every president is subjected... national morale, confidence... politics can't survive if... caused by character and... The American... is not in...



"The Capeman" is based on a 1959 gang killing.

'Capeman': A Sad Spectacle

By Ben Brantley
New York Times Service

NEW YORK — For those who regard theatergoing as blood sport, it promised to be the event of the season. A budget of \$11 million; a world-famous composer new to the Broadway musical and openly contemptuous of its traditions; a protracted period of previews replete with tales of desperate last-minute revisions; a frenzied parade of advice-giving show doctors: "The Capeman," Paul Simon's pop-operatic retelling of a street-gang murder in 1959, seemed to have all the elements that make theater-disaster cultists doo.

But it would take a hard-core sadist to derive pleasure from the sad, benumbed spectacle that finally opened Thursday night at the Marquis Theatre, free weeks behind schedule. Although it may be unparalleled in its wholesale squandering of illustrious talents, including those of the Nobel Prize-winning poet Derek Walcott (Simon's co-librettist and book writer) and the brilliant choreographer Mark Morris (the director of record), "The Capeman" is no fun even as a target.

It is certainly not a camp hoot, along the lines of such fabled flops as "Moose Murders" and "Carrie." It's not even an intriguing "noble failure," the kind that causes you to scratch your head and think: "They came so close to getting it right." Instead, the

show regists as one solemn, helplessly confused drone. You're only sorry that it has to suffer and that there's nothing you can do about it.

One doesn't doubt that "The Capeman" has been a labor of intense devotion for Simon, who began his long, fluid career as half of the poetic pop duo Simon & Garfunkel. The professional intelligence and curiosity that have since led him into explorations of foreign musical cultures in albums like the South African-upped "Graceland" (1986) and the Brazilian-flavored "Rhythm of the Saints" (1990) is obviously at work in this latest venture, a portrait of Puerto Rican immigrants in a hostile New York City.

Indeed, anyone who had listened to the sampler of songs from "The Capeman" that was released last year (and was Simon's first studio album in six years) had reason to hope for the stage version. Intricately weaving Latin American rhythm and inflections with the doo-wop harmonies in vogue in the '90s, these songs have a contemplative, sensuous elegance all their own and remain a pleasure to listen to.

What sounds terrific through a headset, however, doesn't automatically translate into the more demonstrative style that theater demands. It's hard to fault the orchestrations (by Stan Silverman) or the musical direction (Oscar Hernandez) if the Broadway incarnation. The problem is that no one has been able to find the visual and verbal equivalents to Simon's multilayered score. Everything in the music melts together, practically nothing that's said, done and shown on the stage seems to connect with anything else.

THIS is partly a result, no doubt, of the many disparate hands that the exacting Simon has brought in to shape "The Capeman." In the past year and a half, the show has gone through three official directors: Susana Tuber, Eric Sinosick and Morris, who is still credited for direction and choreography. But it has also been confirmed that Jerry Zaks, a Tony-winning Broadway veteran, has been editing and restructuring the musical over the last several weeks, aided by the choreographer Joey McKneely, who worked with Zaks on "Smoky Joe's Cafe."

They have apparently improved it. The person with whom I saw "The Capeman" had been to a performance in early January, and said Zaks had at least managed to clarify the show's story, which follows the fall and redemption of Salvador Agron, a Puerto Rican gang member who at 16 imbedded two other teenagers to death. Zaks was quoted Monday in The New York Times as saying, tellingly, "I've done about as much as I can with what's there."

If Simon truly knows the heart of Salvador Agron, he has been unable to find the theatrical language for sharing that knowledge.

Masters and the Last-Chance Syndrome

International Herald Tribune

NEW YORK — When rarity becomes so extreme that collectors or museums fear they may be missing their last chance, auction patterns tend to become very strange.

The last-chance obsession was definitely the main factor in two extraordinary prices that were paid at Sotheby's Old Master drawings

SOUREN MELIKIAN

sale in which excitement appeared at times to blot out any sense of proportion. The \$7,482,500 paid over the telephone by an unidentified bidder for a sketch in black chalk by Michelangelo is phenomenal even if the hammer price, \$6.8 million, remained fairly close to an unprinted \$6.5 million forecast murmured by specialists hours before the sale on Wednesday.

Connoisseurs spoke with shining eyes of the large size — the irregularly cut sheet is 43.5 centimeters (17.25 inches) high. They insisted that the condition was as good as you can get when it comes to Michelangelo. But to the specialist, the small tears, the stains here and there, were all too obvious. Some may say that this is a working study for "Jesus and the Woman of Samaria" (hastily scribbled outlines on the back for the profile of the woman's head and a nondescript detail of the man's torso may interest a historian but no one else) and that it is a miracle that such a sheet should have survived at all.

Unfortunately, art lovers who are not perfumed in reverential awe at the mere mention of the great master's name may find it difficult to ignore such peccadilloes as the gash across the eye of the woman, or the loss of the right hand, cut off at the edge long ago. For them, the drawing projects a partially disfigured image of the great master's art. This does not matter quite as much to the 40 or 50 connoisseurs and scholars so intimately acquainted with Michelangelo's graphic oeuvre that they restore the damage or missing bits. They see it with the eyes of the mind.

In addition, for those connoisseurs, the fact that the Michelangelo

drawing was consigned to Sotheby's by the Martin Bodmer Foundation in Geneva, the private foundation holding manuscripts and rare books, second only to the Pierpont Morgan Library in New York, added to its attraction. That made it even more of a chance-in-a-million acquisition — foundations are not prone to selling. Hence the furious competition that resulted in the second highest price paid for a drawing by the master.

This was not the only case of a drawing admired by the happy few soaring to dizzying heights. The excitement that was caused by a small circular drawing in pen and wash heightened with gold by Hans Holbein the Younger is even more astonishing given the size. A mere 5.1 centimeters across, this is a design for a piece of jewelry. In immaculate condition, it shows a young man in a pool with only his head above water. He gazes yearningly at the pearls hanging from a tree almost within reach of his lips. A scrolling band entwined around a branch of the tree which carries the name "Tantalus" gives the clue to the subject.

This illustrates the Greek legend of Tantalus, the friend of Zeus who, having proved himself unworthy of the god's friendship, was punished by being precipitated into the underworld. There, Tantalus remained steeped in a pool, unable to drink from its water or to eat the fruits dangling over his head, which were wafted away each time he attempted to bite into them. Nothing is further removed from the miniature portrait done with the exquisite care that one expects from Holbein. The design, probably done as a project for a medallion or a pendant, relates to others in two albums preserved in the British Museum and in the Kunstmuseum in Basel.

THE small Holbein is little more than a delightful curiosity. Without its association with the famous master, which is not in doubt even though the name does not appear on the medallion, it would have charmed without causing much of a stir. The combination of fame and rarity changed the equation. No such design has appeared in the market since this



Michelangelo sketch in black chalk went for \$7.4 million.

very same piece was seen at auction in 1936. The cognoscenti went berserk. A London dealer, John Morton Morris of Hazlitt, Gooden & Fox, probably acting on behalf of an institution, carried the prize to the tune of \$74,500.

Extravaganzas of this type can be observed only when awareness that supplies are running out becomes acute and spreads right across a whole area of the art market. That is very much the case with Old Master drawings. Dealers in particular, who are forced to be careful about the prices they pay if they are to make a profit, however small, seem to be targeted by a museum. As the market stands today, it was not even expensive.

More than once, dealers vigorously competed among themselves over drawings that were particularly strong. Thomas Williams of London went up to \$134,500 to get a study in black chalk by Annibale Carracci. The subject, a very muscular Her-

cules reclining as he grips his cudgel with one hand, is as stern as they come. Several colleagues engaged Williams, including Luca Baroni, another noted London dealer with a love for unconventional drawings.

An inevitable consequence of the growing difficulty in finding good drawings is the inflationary tendency that is now beginning to affect some very minor artists. The sale included a charming if not particularly remarkable sketch in red chalk of a little boy asleep in the arms of his mother. Sotheby's experts hesitated between two artists, Gaetano Gandolfi (1734-1802) or his son Mauro (1764-1834). The sketch climbed to a very generous \$36,450.

More surprisingly still, a study in red and white gouache by Claude Gillot (1673-1722), which was probably done as the final model of a print, more than quadrupled its high estimate and ended up at a steep \$79,500. The labored procession of fauns and satyrs, with Silenus walking behind a chariot in which a bare-breasted nymph is seated, is conventional in the extreme. Its rarity notwithstanding (no matching print has been recorded nor is it marked for transfer, which suggests some abandoned project), the price is huge.

In such a context, there is not much left to choose from by collectors with a discerning eye and limited resources. Among the few exceptions, there was a ravishingly poetic landscape in pen and brown ink by Adam Perelle (1638-1695). Slightly faded, suffering from limited foxing, which a skilled restorer could remove, it remains beautifully luminous. At \$1,380 it did not seem wildly expensive. But 20 years ago, its price would have been somewhere in the area of \$100, if that, and there would have been quite a few more drawings of that caliber.

Rarity has not just made prices unpredictable. It has also put an end to a certain form of collecting in which the eye mattered more than money. And with that a whole world of connoisseurship is slowly fading away, leaving the stage to academe and its doctoral pronouncements for the benefit of millionaire investors or absent-minded tourists "doing" museums.

India's Pioneers of Modern Art Savor Success

By Stephen Kinzer
New York Times Service

CHOLAMANDAL, India — The tapping and torching sounds of a sculptor at work spilled from a shed above the Bay of Bengal on a hot afternoon, signs that one of India's most ambitious experiments in modern art is still thriving after more than three decades.

The artist hunched over his bench, Parasivam Samanna was one of 40 students at the Government Arts and Crafts School in Madras who resolved in the early 1960s to devote their lives to art. They pooled their meager funds to buy a plot of land south of the city, and set out to build a cooperative that would support them and their aspirations. The first group of seven artists arrived in May 1966. "There was no road out here then, just a cow track," Samanna remembered. "We went shopping once a week with a wood cart, so we had to live on dry grains that wouldn't spoil. Cyclones would blow our houses and our work away."

Samanna now spends most of his time in Seattle, where he produces the same kind of whimsical copper, ceramic and bronze sculptures he was making here. In his visits every few years to his old base at Cholamandal, he has seen the Indian attitude toward contemporary art change.

"When we were in school, the only contemporary art we saw was in books about Picasso and Chagall at the British Council and the USA," he said, referring to the U.S. Information Agency. "As late as 1985 there were hardly one or two art books published in this country. Now there are big fat ones. If a newspaper covered an art opening in 1985, it was a tiny box, but now you see The Indian Express or The Hindu devoting a whole page with two or three reproductions. There is a market, and lots of rich people are buying. It's all quite new."

One reason the Cholamandal group survived to see this happy day is that its members understood from the start that they could not support themselves with fine art. Following the Bauhaus credo that art needs to embrace crafts, they began producing batik fabric printed in imaginative patterns. For years it was normal for artists here to spend two or three hours each day on batik preparation or other crafts-related work, free the rest of the time to pursue their muses.

Today Cholamandal, named after an ancient dynasty that encouraged the arts, is India's largest self-supporting art colony and one of the most successful in Asia. An airy complex contains studios where the artists work, cottages where they live, a well-lit gallery where they show and sell, an open-air theater and a guest house donated by the West German government.

Although the artists here still produce some batik, now they are mostly able to live comfortably from their painting and sculpture. It is widely recognized as some of the best art produced in postwar India, and is shown regularly in galleries across the country. Several Cholamandal artists have also shown in Europe, the United States and South America.

IN India as elsewhere, there have been painters who latched on to nearly every trend in the art world. But the story of 20th-century Indian art is also the story of a series of regional schools.

The first post-Varna school, which sprung up in Bengal, was influenced by French Impressionism. Its exponents used flowing lines and diffused, misty colors to portray historical and metaphysical subjects.

At the end of the 1940s, as the Indian independence movement reached its turbulent peak, the Bengal movement fell before a new generation that rejected mystic sentimentalism as outdated and remote from the modern Indian experience. This movement, based in Bombay, admired Picasso and embraced foreign art as a way to pull India into the modern world.

Extending or reacting to the Bombay movement, a group of art students banded together in the early 1960s in Madras, now officially called Chennai, which lies on India's eastern coast.

"You can describe their artistic ideas as metaphysical and poetic," said Josef James, an Indian art critic who has followed the Cholamandal experiment from its beginning.

"They were consumed with the challenge of finding an Indian response to the sort of art that was coming out of the West. They were influenced first by Mark Rothko, then De Kooning and later Cy Twombly, Jasper Johns and Frank Stella."

"Madras is where Abstract Expressionism was studied very closely," James said. But like Abstract Expressionism itself, the

Cholamandal artists have been elbowed aside by young insurgents who complain that they have lost their love of color and have never developed an appreciation of the esoteric aspects of Indian culture.

Still, Cholamandal remains an artistic center. Its members radiate a sense of satisfaction and accomplishment, as much for the growth of the art market here as for their own success.

"They are the enlightenment of contemporary art in India," said Santhana Raj, a prominent painter who recently spent several days here. "They have combined Western and Eastern influences and generated a cycle of interest in contemporary art. What has happened and is happening here is of great importance for the growth of art appreciation in this part of the world."

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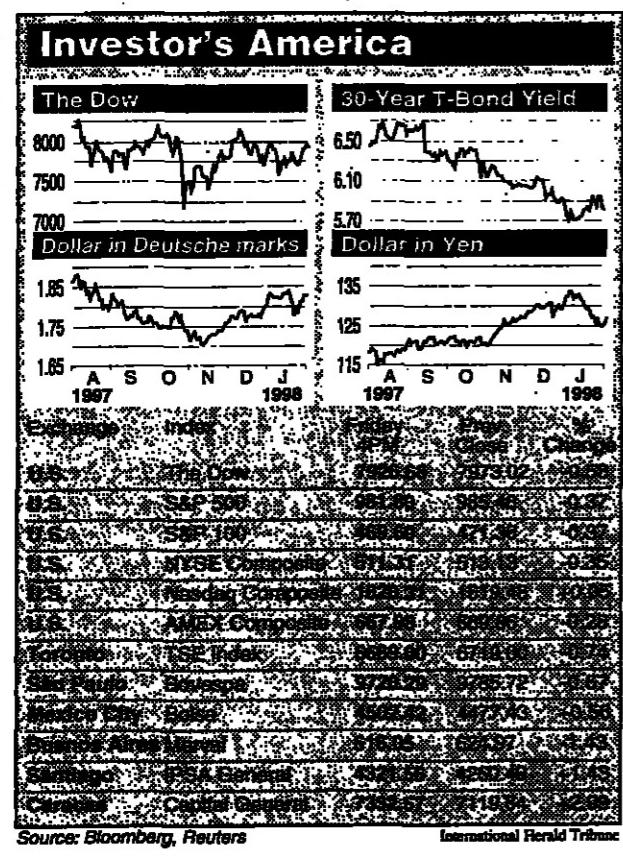
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U.S. and Japan Draft Airline Pact

Bloomberg News

WASHINGTON — The United States and Japan agreed Friday on a framework for an agreement that would open U.S. and Japanese markets to new air passenger and cargo service by carriers from the other country, a U.S. State Department official said.

The chief beneficiaries of the pact are AMR Corp.'s American Airlines, Delta Airlines Inc., and Continental Airlines Inc. All of them now have limited access to Japanese destinations. The pact will also allow All Nippon Airways Co. to significantly expand its access to American cities.

The two sides were to sign the tentative accord later Friday, said a department spokesman, Frank Jenista. The latest round of talks started Jan. 20.

"It certainly looks like it is a great improvement versus the status quo," said Scott Gibson, a visiting fellow with the Economic Strategy Institute in Washington. But he said the emerging agreement was "still not as good as an open-skies agreement."

In the first year, the agreement is expected to allow Delta to add new daily Tokyo service from its Atlanta hub; Continental will be able to add daily Tokyo service from Houston and from Newark, New Jersey; American will be allowed to start service to Tokyo from Dallas and Chicago, and service to Osaka from Dallas, Mr. Gibson said.

He added that he expected some U.S. carriers would probably delay taking full advantage of the new flight authority right away, given the recent economic tumult in Japan and other Asian countries.

"Adding capacity really can't be justified in some Japanese markets at this time," he said, adding that "over time, this will be a very good deal resulting in significant new service choices between the U.S. and Japan."

Mr. Gibson said UAL Corp.'s United Airlines on the U.S. side and All Nippon Airways Co. on the Japanese side would benefit as well from the accord.

Shake-Up in Tokyo Benefits the Dollar

Bloomberg News

NEW YORK — The dollar surged against the yen and other major currencies Friday amid speculation that a shake-up at the Ministry of Finance will impede efforts to revive Japan's faltering economy.

The appointment of Hikaru Matsunaga to replace Hiroshi Mizunaka as finance minister "wasn't a very inspired choice," said Chris Iggo, chief economist at BZW Securities Inc.

"It doesn't represent any radical new approach to dealing with Japan's problems," said Tatsuya Enomoto, manager of foreign exchange at

Sumitomo Bank Ltd. "Germany is exposed to Asia much more than expected."

Citing economic reports showing the German recovery "hasn't gathered that much strength," Christen Stefansson of Swedbank said: "The dollar is going to stay strong for the next few months."

The dollar rose to 1.8296 DM from 1.8284.

The dollar also rose to 6.1320 French francs from 6.1230 francs and to 1.4764 Swiss francs from 1.4727 francs. The pound fell to \$1.6320 from \$1.6390.

Profit-Taking Slows Rally by Blue Chips

Compiled by Our Staff Writers

NEW YORK — Stocks were lower late Friday amid some profit-taking after a three-day rally that pushed the market back into record territory.

The Dow Jones industrial average was at 7,932.16 points, down 40.86, after bobbing into positive territory around midday.

Broad-market indexes also turned lower after a brief foray

3 P.M. SNAPSHOT

toward a new high by the Standard & Poor's 500, which on Thursday closed at a record high for the first time since Dec. 5. The S&P index was at 983.54, down 1.95, and the Nasdaq composite index was at 1,619.34, down 0.15.

"This is normal profit-taking after moving up 260 points in three days," said Alfred Goldman, director of market analysis at A.G. Edwards & Sons in St. Louis, referring to the Dow.

Stocks have been bolstered in recent days by strong profit reports and a calmer take on the crises in Asia and Washington, as well as the fairly encouraging report by the Federal Reserve Board chairman, Alan Greenspan, to a Senate panel

Thursday. After a weak opening, stocks began to recover as Mr. Greenspan and Treasury Secretary Robert Rubin, who addressed a House panel Friday, offered a generally upbeat prognosis of Asia's economic crisis.

"Both Rubin and Greenspan are telling us to put Asia behind us," said Hugh Johnson, chief investment officer at First Albany Corp. "Yes, the U.S. economy will slow in 1998 because of the impact in Asia, but the impact will be moderate and U.S. economic growth will resume late this year early in 1999."

Also helping ease some of the worry about the U.S. economy was a report showing that gross domestic product grew 4.3 percent in the fourth quarter, significantly better than the 3.6 percentally many economists had predicted.

Declining issues outnumbered advances by a narrow margin on the New York Stock Exchange, where volume came to 411.35 million shares, down sharply from Thursday's blistering pace, which produced the fourth-heaviest volume in NYSE history.

Investors secured some of their recent gains in technology leaders, pushing Intel and Cisco Systems shares down.

Anadigics shares fell as much as 60 percent after the maker of wireless phone equipment said it could report a loss this quarter because customers were reducing their orders and turning to rivals.

Bonds rose for a second day as investors speculated that Asia's financial crisis would slow U.S. growth in coming months. The benchmark 30-year Treasury bond was up 15/32 at 104 15/32, pushing the yield down to 5.81 percent from 5.83 percent.

(AP, Bloomberg)

Very briefly:

- Kellogg Co.'s profit skidded 83 percent to \$14.6 million in the fourth quarter of 1997 because of cereal plant closures and distribution network changes in Europe. The company earned \$87.3 million in the corresponding period in 1996.
- First USA Inc. is testing "titanium" credit cards that give customers access to personal assistants who help plan vacations, make dinner reservations and perform other concierge services. The card is not available to the public.
- WorldCom Inc. plans to split its data businesses into four divisions after its scheduled purchase of CompuServe Corp. on Saturday, advancing a strategy designed to provide corporations with every Internet service, executives familiar with the plan said.
- Deutsche Telekom AG plans to cooperate with Texas Instruments Inc., the semiconductor maker, in home-entertainment and information services. The two companies will sign a memorandum of agreement Feb. 5 at an information-technology symposium in Hannover.
- Seagram Co.'s Universal Pictures division is to start an animated film and special effects unit in a challenge to Walt Disney Co.'s dominance of animation.

AmeriServe Food to Buy ProSource

Bloomberg News

DALLAS — AmeriServe Food Distribution Inc. said Friday it would acquire ProSource Inc. for \$342 million in cash and assumed debt as the food services company increases the number of restaurants it sells to by 49 percent, to 38,000 restaurants.

AmeriServe will pay \$15 a share. The amount of debt being assumed was not immediately available.

ProSource, based in Coral Gables, Florida, has had two consecutive quarters of declining profit. Earnings fell partly because the food service and distribution company lost a contract with the Arby's chain.

The prospect for continued low inflation sent bond prices higher late

Continuing from Page 1

time. He told Congress on Thursday that lower import prices were giving the economy some breathing room from inflation pressures.

If not for the expected impact from Asia, central-bank policy-makers probably would feel compelled to slow the economy with higher interest rates to prevent accelerating wages from translating into faster consumer price increases.

In 1997, inflation was extraordinarily tame. A price measure linked to the GDP rose 2 percent, the smallest increase since 1965.

Mr. Greenspan and Treasury Secretary Robert Rubin called Friday on Congress to support additional money to enable the International Monetary Fund to deal with future crises.

Testifying before the House

Banking Committee, Mr. Greenspan and Mr. Rubin said Asian nations with large dollar-denominated debts cannot dig out from their financial problems without help from the United States and other leading world economies.

At the same time, they said, the health of the Asian regional economy is essential to the strength of the U.S. economy.

"The countries in Asia are our customers, our competitors and our security partners," Mr. Rubin said in the text of his testimony. "When we support IMF-led reform programs, our purpose is clear: to protect and benefit the American people."

The U.S. central bank is expected to keep interest rates steady when it meets next week in the absence of any sign that brisk growth was gen-

erating price pressures and amid expectations the economy will slow on its own.

The Commerce Department said the acceleration in growth during the fourth quarter stemmed from renewed inventory-building, a fall-off in imports and stronger exports, as well as exceptionally strong homebuilding spurred by low interest rates.

There were a few indications that businesses were growing cautious, including a 3.6 percent rate of contraction in fourth-quarter business investment, the first quarter in six years that corporations shrank their expansion plans instead of expanding people."

Analysts noted that factory orders already were beginning to ease as it meets next week in the absence of any sign that brisk growth was gen-

erating price pressures and amid expectations the economy will slow on its own.

The economy, after growing strongly in the fourth quarter, is poised to grow at half that pace and maybe a little less than that in the first half of 1998," said Richard Berner, an economist with Mellon Bank Corp. in Pittsburgh.

Also Friday, the Commerce Department said real final sales, which exclude the effects of inventory changes, rose 3.6 percent in the fourth quarter, down from a 4.7 percent gain during the third quarter.

The Commerce Department also said the 1997 personal savings rate declined to 3.8 percent last year, the lowest reading since the 3.7 percent in 1939 — even as households shovelled billions of dollars into mutual funds. (Bloomberg, Reuters, AP)

U.S. STOCK MARKET DIARY

Friday's 3 P.M.

The Associated Press

Stock	Sales	High	Low	Last	Chg.
Friday's 3 P.M.					
AMC	349	22	21	21	+18
ADM	125	24	23	23	+18
ADM P	81	25	24	24	+21
ADM R	125	24	23	23	+18
ADM W	251	21	21	21	+18
Accord	705	12	11	11	+18
Acme	125	17	16	16	+18
Acme B	74	16	15	15	+18
Acme C	125	17	16	16	+18
Acme D	125	17	16	16	+18
Acme E	125	17	16	16	+18
Acme F	125	17	16	16	+18
Acme G	125	17	16	16	+18
Acme H	125	17	16	16	+18
Acme I	125	17	16	16	+18
Acme J	125	17	16	16	+18
Acme K	125	17	16	16	+18
Acme L	125	17	16	16	+18
Acme M	125	17	16	16	+18
Acme N	125	17	16	16	+18
Acme O	125	17	16	16	+18
Acme P	125	17	16	16	+18
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King Slows Blue Chips

Beth Rubin and Greenstein at Mid-Hugh Johnson, chief investment officer at First Albany Corp., said the U.S. economy will slow, but because of the impact in Asia, the impact will be moderate and U.S. economic growth will remain strong this year or early in 1998.

Also helping ease some of the worry, though, is the U.S. economy's report showing that gross domestic product grew 4.3 percent in the third quarter, significantly more than the 2.5 percentally many economists had predicted.

Declining issues, including advances by a narrow margin at the New York Stock Exchange where volume came to 411,345, helped end the month with the volume in NYSE history.

Investors seemed some of the recent gains in technology stocks, pushing Dow Jones Industrial Average down 1.5 percent.

Average shares fell as much as 6 percent after the number of new phone equipment and car parts reports were released that day.

Bonds rose for a second day investors speculated that Asia's financial crisis would not have grown so severe. Treasury bills rose 15 basis points to 4.15 percent, up 1.5 percent from 2.6 percent.

The government launched a debate in Parliament this week on controversial legislation to reduce the workweek to 35 hours from 39 hours.

Mr. Jospin, who took office last June vowing to make unemployment his top priority, has said the reduction will create jobs.

Business leaders and the conservative opposition say the bill will push companies to seek cheaper labor abroad.

The head of the CNPF employers' organization said that the economy was gaining ground and

Holiday Hires Reduce French Jobless Ranks

Compiled by Our Staff From Dispatches

PARIS — The French unemployment rate fell unexpectedly to a 22-month low in December as retailers and other companies hired temporary staff and part-timers worked longer hours during the holiday season, according to government figures released Friday.

The number of registered job-seekers fell by 86,800, or 2.8 percent, to just over 3 million, pulling the jobless rate down to 12.2 percent, against 12.4 percent in November.

The decline, the fourth straight monthly drop in unemployment, offered hope to Prime Minister Lionel Jospin, the Socialist who has been under pressure from militant activists for the unemployed and whose popularity has been falling in opinion polls.

The government launched a debate in Parliament this week on controversial legislation to reduce the workweek to 35 hours from 39 hours.

Mr. Jospin, who took office last June vowing to make unemployment his top priority, has said the reduction will create jobs. Business leaders and the conservative opposition say the bill will push companies to seek cheaper labor abroad.

The head of the CNPF employers' organization said that the economy was gaining ground and

that companies were creating jobs, urging the government not to delay the process by reducing the workweek.

Economists warned that the unemployment rate could bounce back in coming months. The Labor Ministry itself said the increase in temporary and part-time jobs might not have been properly reflected in its adjustments for seasonal variations.

"There was very strong seasonal hiring and a statistical quirk in the data," said Sonja Gibbs of Nomura Research Institute. "I wouldn't be surprised to see some of this decline retracted in January."

"We would want to see the January and February data before trumpeting a major turnaround in the jobs market," said David Brickman of PaineWebber International.

The figures showed that while the French economy was creating jobs, many of the new positions were to last less than a month. In December the number of offers for jobs lasting more than a month fell to 139,124 from 150,777 the month before.

Young people were the main beneficiaries in December. The jobless rate for men under 25 fell by 5.6 percentage points, while for women in the same category it dropped by 5.8 points.

(Bloomberg, Reuters, AFP)

Belgian Firms Join Forces To Create Finance Company

Bloomberg News

BRUSSELS — Almanij NV and Boerenbond said Friday they would merge their banking and insurance businesses to create Belgium's biggest financial services company as a prelude to embarking on international acquisitions.

The companies said Almanij's Kredietbank NV and Boerenbond's Cera Bank will form Belgium's largest bank, with capital of \$5.5 billion. The merger will also bring together the companies' ABB and Fidelitas insurance units, creating Belgium's third-largest insurer, with annual premium income of about 64 billion francs (\$1.7 billion).

The new company, which is not yet named, is ready to take over other financial institutions in Europe and worldwide in a bid to become a global financial power, its

management said, adding that it has the cash to do it.

"We are on the offensive with regards to expansion abroad," said Willy Breesch, who now heads Cera and will be the chairman of the new company. "We have worldwide ambitions."

Almanij shares rose 4.2 percent Friday to a record 2,105 Belgian francs on the Brussels stock exchange. Kredietbank fell 125 francs to 17,075 francs, as investors said the aggressive acquisition plans could hurt future earnings.

Almanij, a holding company, owns about 41 percent of Kredietbank, about half of Kredietbank Luxembourg and 60 percent of the insurer Fidelitas. Cera Holdings and Boerenbond will get stakes in Almanij in return for their banking and insurance assets, with Cera becoming the biggest single shareholder.

Mr. Kohlhaussen would not say how much Commerzbank needed to set aside for Asian losses and said the earliest the bank would comment

on the matter would be Monday.

Swiss Bank Corp. said provisions it made against loans to customers in Asia did not affect its earlier estimate that 1997 net income was more than 1.7 billion Swiss francs (\$1.2 billion). "We have made adequate provisions in the 1997 results" for potential Asian loan losses, said Christopher Meier, a spokesman for SBC, which is merging with Union Bank of Switzerland. Mr. Meier said that SBC had outstanding loans of 900 million Swiss francs to Asian borrowers and that the bank's 1997 profit expectations "aren't affected by these provisions."

The Bavarian state-owned bank Bayerische Landesbank said it made provisions of 500 million DM in on the matter would be Monday.

Commerzbank AG said it had no plans to pull out of its Asian business, but it would make provision for possible loan losses there.

Martin Kohlhaussen, chairman of the bank's management board, said it made sense to set aside reserves against potential Asian losses, but not to restructure Asian business.

"It's a question of prudence," Mr. Kohlhaussen said.

Mr. Kohlhaussen would not say how much Commerzbank needed to set aside for Asian losses and said the earliest the bank would comment

financial hole," said Pierre Nain, who manages \$50 million in emerging-market debt, including the Bahamas-based Rainbow Global High Yield Fund. "They need money, and don't know how they will get it."

The Bank of Russia said it would raise its Lombard rate, or the rate it charges when it lends to banks, to 42 percent from 36 percent starting Monday. The central bank also raised its refinancing rate, the rate banks charge each other, to 42 percent from 38 percent.

The central bank did not comment on its reasons for the increases, which come at a time of political uncertainty that has added to market jitteriness.

But First Deputy Prime Minister Anatoli Chubais said the rate rises were aimed at protecting Russian financial markets, which were still reeling from the effects of Asia's

financial crisis.

"We still suffer from Asian financial market problems," Mr. Chubais said Friday at the annual meetings of the World Economic Forum in Davos, Switzerland.

The increase in the level of interest rates, that is also a step taken to protect the ruble and a step for the protection of Russia's financial markets," he added.

Foreign investors have pulled about \$2 billion out of Russia since the start of the year.

Investors are concerned the nation has failed to come to grips with its fiscal problems and showed their concern Wednesday by forcing the government to cancel a three-year debt auction.

An International Monetary Fund team is expected to decide whether to lend more money, and the Russian Parliament has yet to pass this year's budget.

Russia "is staring at a big black

hole," said Pierre Nain, who manages \$50 million in emerging-market debt, including the Bahamas-based Rainbow Global High Yield Fund. "They need money, and don't know how they will get it."

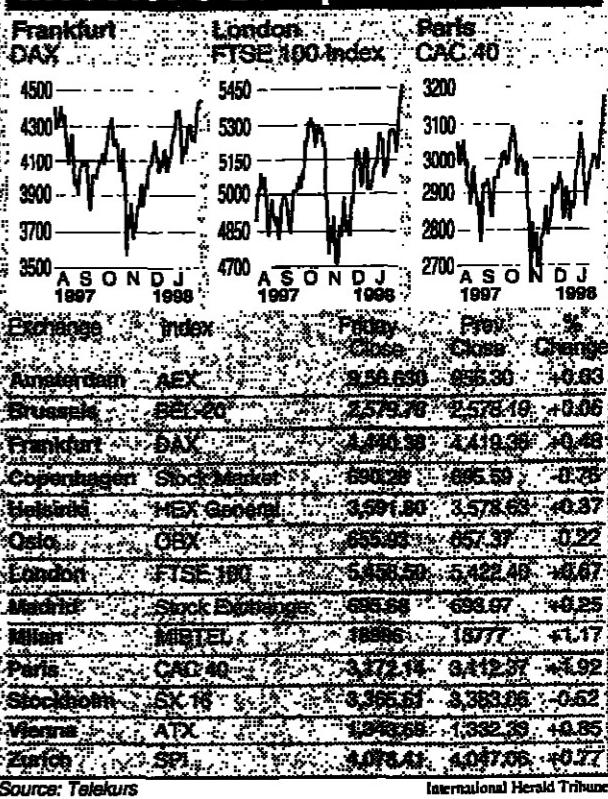
On Wednesday the central bank countered the ruble rumors, reaffirming its policy that the ruble could fluctuate 15 percent on either side of a central rate of 6.2 to the U.S. dollar for the next three years, and would average 6.10 this year.

In afternoon trading in New York on Friday, the dollar rose slightly against the ruble, to 6,025 rubles from 6,010 rubles at the close on Thursday.

Share prices, which have fallen over 30 percent in the course of this year, surged higher in Friday trading. The key Russia Trading System index closed at 284.35, up 18.42 points from Thursday.

(Reuters, Bloomberg)

Investor's Europe



Source: Telekurs International Herald Tribune

Russian Central Bank Raises Rates

Third Increase in 3 Months Aims to Shore Up an Embattled Ruble

Compiled by Our Staff From Dispatches

MOSCOW — Russia's central bank raised two key interest rates Friday, the third increase since November, to prop up a ruble weakened by a hemorrhage of money from the nation's stock and bond markets.

The Bank of Russia said it would raise its Lombard rate, or the rate it charges when it lends to banks, to 42 percent from 36 percent starting Monday. The central bank also raised its refinancing rate, the rate banks charge each other, to 42 percent from 38 percent.

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An International Monetary Fund team is expected to decide whether to lend more money, and the Russian Parliament has yet to pass this year's budget.

Russia "is staring at a big black

Very briefly:

• German companies could use both U.S. and international accounting standards under a financial reform bill before Parliament, Justice Minister Edzard Schmidt-Jortzig said.

• Banque Nationale de Paris has bid for the London operations of Peregrine Investments Holdings Ltd., in addition to previous bids for the failed Asian company's Hong Kong and Chinese equity units. Terms were not reported.

• Fidelity Investments said it was not discussing selling its British brokerage, which it is closing, to Barclays Stockbrokers, which wants to buy it. Fidelity did say it was in talks with unidentified companies on transferring accounts.

• SKF AB's fourth-quarter profit fell 8 percent, to 472 million kronor (\$58.6 million), from a year ago as increased taxes offset higher European sales by the maker of ball bearings.

• The European Commission plans an antitrust inquiry of Deutsche Telekom AG's provision of the cable network for Bertelsmann AG and Kirch Group's digital-TV venture.

• Alitalia SpA's practice of undercutting rivals' prices violates terms of a government bailout approved by the European Union, the commission said, leading it to consider delaying 750 billion lire (\$420.2 million) in state subsidies.

• British Airways PLC's European cut-price airline, to be launched in the spring, will be called Go.

(Reuters, Bloomberg)

Banks Try to Quell Asia Concerns

Compiled by Our Staff From Dispatches

on the matter would be Monday.

Swiss Bank Corp. said provisions it made against loans to customers in Asia did not affect its earlier estimate that 1997 net income was more than 1.7 billion Swiss francs (\$1.2 billion).

"We have made adequate provisions in the 1997 results" for potential Asian loan losses, said Christopher Meier, a spokesman for SBC, which is merging with Union Bank of Switzerland. Mr. Meier said that SBC had outstanding loans of 900 million Swiss francs to Asian borrowers and that the bank's 1997 profit expectations "aren't affected by these provisions."

The Bavarian state-owned bank Bayerische Landesbank said it made provisions of 500 million DM in

on the matter would be Monday.

Commerzbank AG said it had no plans to pull out of its Asian business, but it would make provision for possible loan losses there.

Martin Kohlhaussen, chairman of the bank's management board, said it made sense to set aside reserves against potential Asian losses, but not to restructure Asian business.

"It's a question of prudence," Mr. Kohlhaussen said.

Mr. Kohlhaussen would not say how much Commerzbank needed to set aside for Asian losses and said the earliest the bank would comment

1997 for risks arising from the financial crisis in Asia.

The amount represents 62 percent of all risk provisions of 800 million DM made by the bank.

(Bloomberg, Reuters, AFP)

A Loss at Commerzbank?

Commerzbank posted a fourth-quarter operating loss after raising its provisions for possible bad loans by 62 percent, internal company documents show, Bloomberg News reported.

Germany's third-largest publicly traded bank had a fourth-quarter operating loss of 231 million DM, compared with a profit of 187 million DM a year ago, the documents indicated.

Mr. Romiti said Fiat Auto, its car division, sold a record 2.7 million cars worldwide, with 1.75 million of those sold in Western Europe. Fiat's European market share rose to 12 percent in 1997 from 11.2 percent, he said.

In Brazil, the company's second-most profitable market, Fiat sales rose 13.6 percent.

In Poland, sales climbed 8.3 percent.

Fiat Auto sales rose 19 percent to 50.55 trillion lire.

Mr. Romiti, 75, who is stepping down in June, proposed that the board approve the nomination of Mr. Fresco as his successor. He said Mr. Fresco has accepted the offer.

While handing over a company with a healthy year behind it, Mr. Romiti will also be leaving Mr. Fresco with much work to be done, particularly in reinforcing its plans to build its Palio series of cars throughout the developing world.

Fiat shares closed up 26 lire at 5,995.

Fiat Chief's Swan Song: Record Profits and Sales

Bloomberg News

TURIN — The chairman of Fiat SpA, Cesare Romiti, announced record profits for the Italian automaker Friday as sales of the company's passenger vehicles reached an all-time high.

In his final letter to shareholders, Mr. Romiti also officially named Paolo Fresco, the Italian-born deputy chairman of General Electric Co. in the United States, as his successor.

Fiat's 1997 pretax profit rose 10 percent to 4.2 trillion lire (\$2.33 billion), indicating

lire, which would be just shy of the 1.1 trillion lire estimated by analysts. Sales rose 15 percent to 89.5 trillion lire, operating profit rose to 3.5 trillion lire from 1.80 trillion, and profit rose to 4 percent of sales from 2.3 percent.

Mr. Romiti said Fiat Auto, its car division, sold a record 2.7 million cars worldwide, with 1.75 million of those sold in Western Europe. Fiat's European market share rose to 12 percent in 1997 from 11.2 percent, he said.

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profitable market, Fiat sales rose 13.6 percent.

In Poland, sales climbed 8.3 percent.

Fiat

NYSE

Friday's 3 P.M.
The 2,000 most traded stocks of the day.
Nationwide prices not reflecting late trades elsewhere.
The Associated Press

12 Month High Low Stock Div Yld PE 100% High Low/Lated Chgs

12 Month High Low Stock	Div Yld	PE	100% High	Low/Lated Chgs	12 Month High Low Stock	Div Yld	PE	100% High	Low/Lated Chgs	12 Month High Low Stock	Div Yld	PE	100% High	Low/Lated Chgs
4624 3194 AAB	.51	1.3	32	-102 440A 450A 455A -50	2294 2274 ABM	.25	2.0	161	-	200 220A 225A 227A 229A	.25	2.0	174	-10
710 1776 ABM	.49	1.4	38	-102 440A 450A 455A -50	18 2264 ABC	.25	2.0	161	-	200 220A 225A 227A 229A	.25	2.0	174	-10
1019 2796 ACE Lm	.25	1.5	15	-229 34 371 376 378 381 -10	178 2262 ACB	.25	2.0	161	-	200 220A 225A 227A 229A	.25	2.0	174	-10
1116 16 ACB	.25	1.5	15	-229 34 371 376 378 381 -10	1252 2194 ACB Lm	.25	2.0	161	-	200 220A 225A 227A 229A	.25	2.0	174	-10
1094 89 ACM	.50	0.8	7	-147 200 205 208 210 212 -10	2264 1754 ACM	.16	3	14	-	200 220A 225A 227A 229A	.16	3	14	-
15 1244 ACMAD	.50	0.8	7	-147 200 205 208 210 212 -10	474 2194 ACM	.12	3	14	-	200 220A 225A 227A 229A	.12	3	14	-
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276 1776 ACI Tech	.25	1.5	36	-114 234 237 238 239 240 -10	492 2194 ACM	.12	3	14	-	200 220A 225A 227A 229A	.12	3	14	-
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276 2252 ACR	.25	1.5	36	-114 234 237 238 239 240 -10	498 2194 ACM	.12	3	14	-	200 220A 225A 227A 229A	.12	3	14	-
276 2252 ACR	.25	1.5	36	-114 234 237 238 239 240 -10	499 2194 ACM	.12	3	14	-	200 220A 225A 227A 229A	.12	3	14	-
276 2252 ACR	.25	1.5	36	-114 234 237 238 239 240 -10	500 2194 ACM	.12	3	14	-	200 220A 225A 227A 229A	.12	3	14	-
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276 2252 ACR	.25	1.5	36	-114 234 237 238 239 240 -10	508 2194 ACM	.12	3	14	-	200 220A 225A 227A 229A	.12	3	14	-
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276 2252 ACR	.25	1.5	36	-114 234 237 238 239 240 -10	513 2194 ACM	.12	3	14	-	200 220A 225A 227A 229A	.12	3	14	-
276 2252 ACR	.25	1.5	36	-114 234 237 238 239 240 -10	514 2194 ACM	.12	3	14	-	200 220A 225A 227A 229A	.12	3	14	-
276 2252 ACR	.25	1.5	36	-114 234 237 238 239 240 -10	515 2194 ACM	.12	3	14	-	200 220A 225A 227A 229A	.12	3	14	-
276 2252 ACR	.25	1.5	36	-114 234 237 238 239 240 -10	516 2194 ACM	.12	3	14	-	200 220A 225A 227A 229A	.12	3	14	-
276 2252 ACR	.25	1.5	36	-114 234 237 238 239 240 -10	517 2194 ACM	.12	3	14	-	200 220A 225A 227A 229A	.12	3	14	-
276 2252 ACR	.25	1.5	36	-114 234 237 238 239 240 -10	518 2194 ACM	.12	3	14	-	200 220A 225A 227A 229A	.12	3	14	-
276 2252 ACR	.25	1.5	36	-114 234 237 238 239 240 -10	519 2194 ACM	.12	3	14	-	200 220A 225A 227A 229A	.12	3	14	-
276 2252 ACR	.25	1.5	36	-114 234 237 238 239 240 -10	520 2194 ACM	.12	3	14	-	200 220A 225A 227A 229A	.12	3	14	-
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276 2252 ACR	.25	1.5	36	-114 234 237 238 239 240 -10	523 2194 ACM	.12	3	14	-	200 220A 225A 227A 229A	.12	3	14	-
276 2252 ACR	.25	1.5	36	-114 234 237 238 239 240 -10	524 2194 ACM	.12	3	14	-	200 220A 225A 227A 229A	.12	3	14	-
276 2252 ACR	.25	1.5	36	-114 234 237 238 239 240 -10	525 2194 ACM	.12	3	14	-	200 220A 225A 227A 229A	.12	3	14	-
276 2252 ACR	.25	1.5	36	-114 234 237 238 239 240 -10	526 2194 ACM	.12	3	14	-	200 220A 225A 227A 229A	.12	3	14	-
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ASIA/PACIFIC

Thai Shares Surge 11% as Baht Market Is Liberalized

Compiled by Our Staff From Dispatches

BANGKOK — Thai stocks soared Friday and the baht stabilized after the central bank said it had removed restrictive measures against currency speculation that had led to a two-tier exchange market.

"Financial institutions will henceforth be freely able to engage in spot foreign exchange transactions involving the Thai baht with nonresidents," the Bank of Thailand said.

"The domestic and offshore spot foreign exchange market will thus be unified," it added. "All restrictions pertaining to transfer of the Thai baht from the sale by nonresidents of domestic securities will also be lifted."

Chayawat Wibulsawadi, governor of the central bank, said the removal of the unpopular two-tier system was meant to spark a return of confidence in Thailand, which has been hit by its worst economic crisis in decades.

"What we want is to create confidence among those overseas and in investors that our situation has returned to normal, that we are confident that the situation inside the country will improve," he said.

"Therefore the door to the foreign currency trade is now wide open based on our economic fundamentals," he said.

But the central bank also introduced a measure to safeguard the baht against potential instability and speculation in the Thai currency market. Nonresidents will be limited to 50 million baht (\$930,230) in outstanding credit from financial institutions in borrowing that involves no underlying trade or investment activities in Thailand, it said.

Mr. Chayawat said the restriction was sup-



James Wolfensohn, World Bank chief, greeting local staff Friday in Bangkok.

ported by the International Monetary Fund, which has supervised the economy since arranging a \$17.2 billion bailout package for the cash-strapped country last August.

"It is the only restriction remaining."

Mr. Chayawat said. "Our system is quite liberal now."

He said Indonesia, Singapore and Malaysia all had similar restrictions in place.

The Bangkok stock market surged, with the benchmark index finishing up 44.99 points, or 10.73 percent, at 495.23, its highest level since October. Brokers said foreigners were responsible for most of the buying.

The dollar was unchanged at 53.75 baht, as the Thai currency stabilized on the news.

Separately, the Bank of Thailand said Friday that the current-account and trade balance surpluses both rose in November.

The central bank, in its regular report of monthly indicators, said Thailand's cur-

rent-account surplus rose to \$997 million in November from \$700 million in October, while the trade surplus rose to \$844 million from \$621 million in the month before.

Analysts warned that the improved trade results belied depressing investment and production data, which continued to shrink in November in line with Thailand's braking economy.

(Reuters)

Rapid Shift of IMF Terms Sought

Finance Minister Tarrin Nirmanahaminda said Friday that Thailand hoped to have new terms for its International Monetary Fund bailout package by Feb. 24. Reuters reported from Bangkok.

Bangkok has sought a review of the terms on the argument that the original agreement was drawn up before economic crisis spread to much of the rest of the region.

Jobless Rate For December Slips in Japan

Compiled by Our Staff From Dispatches

TOKYO — Japan's unemployment rate fell in December for the first time in six months, as more housewives sought work, offsetting declines in jobs at contractors and manufacturers, according to government data released Friday.

The unemployment rate fell to 3.4 percent in December from a postwar high of 3.5 percent in October and November, the Management and Coordination Agency said. For the year, the jobless rate averaged 3.4 percent.

Separately, the Labor Ministry said there were 68 jobs open to every 100 applicants in December, down from 69 in November. That was in line with economists' forecasts.

The sixth straight monthly decline in the jobs-to-applicant ratio, a key measure of market conditions three months ahead, shows that contractors, assemblers and retailers are pessimistic about their prospects for 1998.

"It's hard to imagine any major improvement" in the labor market, said Shinya Iijima, director of the Labor Ministry's Labor Force Statistics Division.

The number of jobs at manufacturers, where one-fifth of all Japanese work, fell for the seventh straight month. Contractors employed 320,000 fewer people in December, the second straight monthly decline.

The total work force grew by 630,000 people in December, an increase of 0.9 percent from a year earlier.

A slump in sales of homes, automobiles and other big-ticket items, following a rise last April in the national sales tax, has led companies to cut wages, then overtime hours and now workers.

The number of workers who were fired rose 10.5 percent in December — the third straight rise — pushing the number of unemployed up 4.8 percent, to 2.18 million workers.

Overtime hours at Japanese manufacturers fell for the second straight month in December, while wages adjusted for inflation have declined five straight months, the Labor Ministry said Friday.

Also on Friday, the Japan Automobile Manufacturers Association said automobile exports to the U.S. fell in December for the first time in 16 months, as Toyota Motor Corp. and other manufacturers increased North American output to defuse trade friction.

(Bloomberg, AFP)

Yamaichi to Fire 23% of Workers

Yamaichi Securities Co. plans to dismiss 1,990 employees, or 23 percent of its work force, and close 19 domestic branches on Saturday, The Associated Press reported, quoting a Tokyo newspaper report.

The dismissals would be the first since the brokerage announced that it would close, the Nikkei Keizai Shinbun reported in its Saturday edition. The brokerage is expected to close all of its branches by the end of March.

Investor's Asia

Hong Kong	Singapore	Tokyo
Hang Seng	Straits Times	Nikkei 225
17000	2000	20000
15000	1750	18500
13000	1500	17000
11000	1250	15500
9000	1000	14000
7000	750	12500
A S O N D J 1997	A S O N D J 1998	A S O N D J 1997
7000	750	12500
6500	700	12000
6000	650	11500
5500	500	11000
5000	450	10500
4500	400	10000
4000	350	9500
3500	300	9000
3000	250	8500
2500	200	8000
2000	150	7500
1500	100	7000
1000	50	6500
500	0	6000
0	0	5500
Hong Kong	Hang Seng	Closed
Singapore	Straits Times	Closed
Sydney	All Ordinaries	Closed
Tokyo	Nikkei 225	Closed
Kuala Lumpur Composite	Closed	565.51
Bangkok	SET	495.23
Seoul	Composite Index	558.33
Taipei	Stock Market Index	Closed
Manila	PSE	1,948.01
Jakarta	Composite Index	Closed
Wellington	NZSE-40	2,221.51
Bombay	Sensitive Index	Closed
		3,224.36
		-

International Herald Tribune

Very briefly:

• Australia's new motor vehicle registrations rose 21.4 percent in the 12 months to Dec. 31, ending a year in which a record 732,000 motor vehicles were sold, amid low interest rates and a price war. The previous record was 695,000 vehicles, in 1985.

• All Nippon Airways Co. is negotiating a code-sharing agreement with Lufthansa AG of Germany and U.S. carriers, including United Airlines Inc.

• Hino Motors Ltd., Japan's largest maker of buses and heavy-duty trucks, said it would resume supplying engine parts to Asia Motors Co., a South Korean maker of trucks and buses. Asia Motors is part of the Kia Group, which is teetering on the edge of bankruptcy with \$10 billion in debts.

• North Ltd. of Australia suspended shipments of wood chips to South Korea because banks there, burdened by financial upheaval in Asia, are not providing letters of credit for its customers.

• MIM Holdings Ltd. returned to a profit of 35.4 million Australian dollars (\$23.9 million) in the first-half ended Dec. 31, as costs declined and sales revenue held steady at 1.1 billion dollars. The Australian mining company posted a loss of 12 million dollars in the same period last year.

• AMP Asset Management of Australia is in talks to buy Henderson PLC, a British fund management company, for about £363 million (\$594.8 million) in a bid to reduce its reliance on domestic business, a person familiar with the situation said.

• Tele Danmark AS plans to close its office in Hong Kong on March 15 because of the Asian economic crisis to focus on the European market.

• Nippon Credit Bank Ltd. made an agreement with Bankers Trust New York Corp. that would enable the troubled Japanese lender to borrow up to \$1.1 billion.

• Namco Ltd., a Japanese maker of computer game software and equipment, said its U.S. unit, Namco Cyberstation Inc., has filed for reorganization under Chapter 11 bankruptcy laws.

Bloomberg, Reuters

Canon Sales Buys Right to Sell Compaq PCs

Compiled by Our Staff From Dispatches

TOKYO — Canon Sales Co., Japan's biggest seller of Apple Computer Inc.'s personal computers, said Friday it had won exclusive rights to sell Compaq Computer Corp.'s PCs in Japan.

Compaq and Canon Sales are to start their business cooperation with Compaq's new Presario series of PCs, to be introduced in Japan this spring, the companies said.

Canon Sales hopes the arrangement will help it win 10 percent of the Japanese PC market in 1998, up from 7 percent in 1997, a company representative said in Tokyo.

"We believe that we have found the right

way to do business in Japan," said the Canon senior vice president, Michael Heil.

He said that Canon Sales had a strong sales infrastructure, powerful marketing ability and intimate knowledge of Japanese consumers.

The chairman of Canon Sales, Seiichi Takikawa, said that the main reason for the company to seek a tie-up with Compaq was Compaq's strong competitiveness in pricing.

He added that a declining share of sales of Apple products in its total sales also prompted it to seek a new line of PCs.

In the third quarter of 1997, Compaq ranked only seventh in sales of corporate-use computers in Japan, with a 6.2 percent market

share, despite its strength in North America.

In November, Canon Sales cut its pretax profit forecast for 1997 to 16 billion yen (\$127.3 million) from 26 billion yen.

Canon Sales shares rose 110 yen to 1,810 yen apiece.

Toshiba May Spin Off Businesses

Toshiba Corp. said Friday it was considering spinning off some businesses to create independent companies as part of its efforts to decentralize operations, Reuters reported.

"You will see concrete results within one or two years," the Toshiba president, Taizo Nishimura, said.

China Reaps Praise For Upholding Yuan

Bloomberg News

DAVOS, Switzerland — China is pursuing the proper policies in response to the Asian crisis and will probably succeed in maintaining the value of its currency, the yuan, speakers at the World Economic Forum said Friday.

They said the Chinese government was moving to reform the banking system and was avoiding the devaluation that would allow it to compete with the weaker currencies elsewhere in Asia.

Although some Asian currencies — especially those of South Korea, Thailand and Indonesia — plunged this year amid unstable banking systems and corporate bankruptcy, the currencies of China and its special administrative region Hong Kong have remained stable.

"We believe the Chinese government and the Hong Kong government are fully committed to their exchange rates and that they will prevail," said Deryck Maughan, co-chairman of Salomon Brothers.

Economists at the conference say the stability of the Chinese currency is essential to establishing a recovery in the region. A strong yuan encourages demand for Southeast Asian goods, while a weak yuan would exacerbate the expected problem of low-cost Asian exports flooding international markets.

Rudi Dornbusch, an economics professor at Massachusetts Institute of Technology, said China had the "worst banking system in the world," although the govern-

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continued

the Heart of Regan's

Costa Rica. Ele

Beyond Region'

By Conrad J. Gaskins

Despite the
hostile attitude of the
United States, Argentina
is determined to proceed
with its plan of economic
development. The
country's first five-year
plan, which was
announced last week,
sets up a program of
industrial expansion
and agricultural
modernization.

THE MONEY REPORT

In the Heart of Latin America, Prosperity on the Roads Less Taken

By Aline Sullivan

EXPLORING PLACES off the beaten track in Latin America is no longer the preserve of fugitives and intrepid travelers. Today, the region's periphery offers havens for investors in what have become alarmingly correlated global markets.

The big Latin stock markets have tumbled like dominos following the Southeast Asian economic crisis is no secret. Brazil's Bovespa index has plunged about 30 percent in dollar terms since the Thai economic crisis erupted in July.

Some observers attribute this contagion to international funds cashing in their gains in Latin America and other emerging markets to prepare for redemptions in the Asia funds. Others blame it on a general nervousness among investors that has tamed emerging markets, no matter how different with the same brush.

Less known is the relative prosperity enjoyed by investors in Central America and the smaller South American countries. Since July, the Costa Rican index gained 24 percent in dollar terms, while the Panama General Stock Market Index shot up 27 percent. Several smaller markets rose substantially in local currency terms although not against the dollar.

"These small countries have been ignored," said Jim Rogers, the New York-based financial guru and author of "Investment Biker."

"There have been no plane loads of MBAs coming down to Central America to look for undervalued stocks," he added. "So money won't come pouring out because it never came in. The only risk is that it will do nothing."

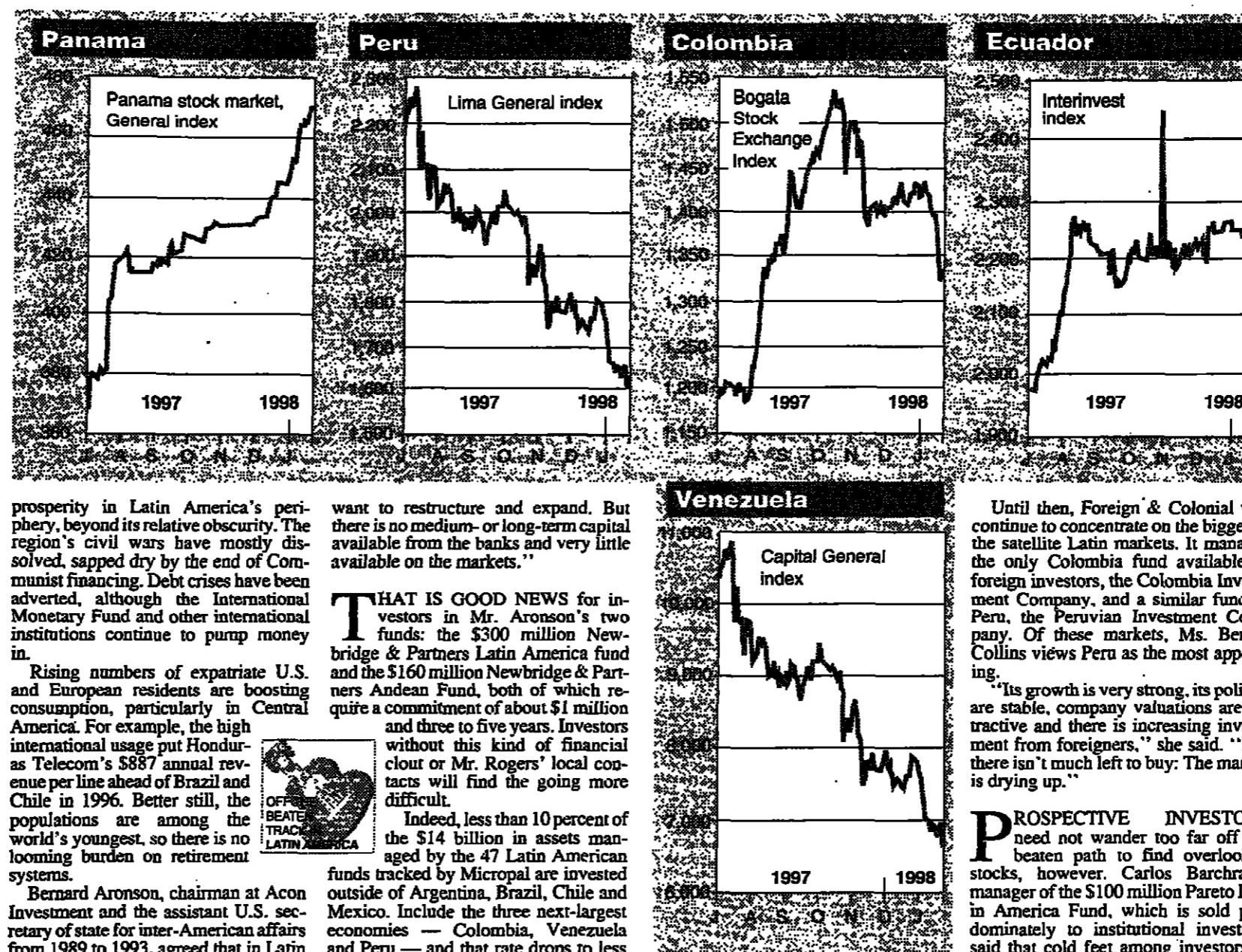
That has not happened, at least to him. Mr. Rogers declined to comment on his specific holdings in the region, except to say that he was "very pleased" with shares that he purchased in Ecuadorian financial institutions in 1991.

He also owns stock in companies in Costa Rica, El Salvador and Peru, all of which he purchased through local brokers, with a view to keeping them "forever."

He recently sold his holdings in Argentina and Venezuela, however, because he believed that those markets had become exploited by foreign investors.

There are solid arguments for

Region's Smaller Economies Provide Investment Shelter From Waves of Global Turmoil



prosperity in Latin America's periphery, beyond its relative obscurity. The region's civil wars have mostly dissolved, sapped dry by the end of Communist financing. Debt crises have been adverted, although the International Monetary Fund and other international institutions continue to pump money in.

Rising numbers of expatriate U.S. and European residents are boosting consumption, particularly in Central America. For example, the high international usage put Honduras' Telecom's \$887 annual revenue per line ahead of Brazil and Chile in 1996. Better still, the populations are among the world's youngest, so there is no looming burden on retirement systems.

Bernard Aronson, chairman at Acorn Investment and the assistant U.S. secretary of state for inter-American affairs from 1989 to 1993, agreed that in Latin America the road less taken was now the more attractive.

"There is great opportunity for private investors in these smaller countries because there is such a need for capital," he said. "It is the best region for growth in the world and companies

want to restructure and expand. But there is no medium- or long-term capital available from the banks and very little available on the markets."

THAT IS GOOD NEWS for investors in Mr. Aronson's two funds: the \$300 million Newbridge & Partners Latin America fund and the \$160 million Newbridge & Partners Andean Fund, both of which require a commitment of about \$1 million and three to five years. Investors without this kind of financial clout or Mr. Rogers' local contacts will find the going more difficult.

Indeed, less than 10 percent of the \$14 billion in assets managed by the 47 Latin American funds tracked by Micropal are invested outside of Argentina, Brazil, Chile and Mexico. Include the three next-largest economies — Colombia, Venezuela and Peru — and that rate drops to less than 1.5 percent.

"Many of these countries could be very attractive," said Veronica Berger Collins, a portfolio manager at Foreign & Colonial in London, whose views on the satellite markets appear to echo those of mutual-fund managers gener-

ally. "For example, Bolivia has a pool of energy, particularly gas, that could be the answer to Brazil's shortage. But we want to see more liberalization, deregulation and perhaps privatization before we invest."

Until then Foreign & Colonial will continue to concentrate on the bigger of the satellite Latin markets. It manages the only Colombia fund available to foreign investors, the Colombian Investment Company, and a similar fund in Peru, the Peruvian Investment Company. Of these markets, Ms. Berger Collins views Peru as the most appealing.

"Its growth is very strong, its politics are stable, company valuations are attractive and there is increasing investment from foreigners," she said. "But there isn't much left to buy. The market is drying up."

PROSPECTIVE INVESTORS need not wander too far off the beaten path to find overlooked stocks, however. Carlos Barchach, manager of the \$100 million Pareto Latin America Fund, which is sold predominantly to institutional investors, said that cold feet among investors in emerging markets has made relatively obscure companies in even the best-known markets more attractive.

"There is a significant gap now in price between the liquid and illiquid stocks," he said. "For example, Cemteco Montezuma in Mexico has been

come much more attractive than Cemex. It already had better profits and higher operating margins, but now it has become much cheaper."

Other investment vehicles include three index funds managed by Richard Hannam at NatWest Investment Management in London. The Colombia fund has \$2.3 million under management, the Venezuela fund \$2.2 million and the Peru fund \$2 million.

About 9 percent of NatWest's IFC Latin American Index Fund is allocated to these smaller markets.

Investors still put off by the limitations and illiquidity of small markets should consider how these Latin America countries correlate, fund managers said.

Investing in one market with a view to gaining exposure in others is becoming increasingly practical in the region. The Central America countries are pooling their resources in many areas, notably when they seek corporate financing from the global capital markets.

Another positive sign is the development of free-trade zones, such as MERCOSUR, which links Paraguay and Uruguay to Argentina and Brazil, and ANDEN, which includes Bolivia, Columbia, Ecuador, Peru and Venezuela.

THOSE WHO EMBRACE isolation and who are willing and able to participate in the region's most uncelebrated market should consider the Beta Gran Caribe Ltd. fund, a closed-end investment trust run by Havana Asset Management in Cuba. Simon Hodson, the fund's manager invests largely in the Cuban biotech sector through companies in Canada and Britain and in Cuban real estate ventures.

The fund, which is denominated in Swiss francs, has about \$30 million in assets and currently trades on the Dublin Stock Exchange at a discount of about 25 percent to net asset value.

For further information:

• FOREIGN & COLONIAL Phone: 44 171 628 1234; Fax: 44 171 628 2281.

• HAVANA ASSET MANAGER Phone: 53 762 0655; Fax: 53 762 058.

• NATWEST INVESTMENT MANAGEMENT Phone: 44 171 782 2075.

• PARETO LATIN AMERICAN FUND Phone: 301 365 8880; Fax: 301 365 8882.

• * Investment Biker On the Road with Jim Rogers," by Jim Rogers (Random House, 1994).

In Costa Rica, Election Carries Investors' Hopes for a Boon

By Aline Sullivan

PROSPECTIVE investors in Central America will be watching Sunday's elections in Costa Rica with interest. If, as is widely expected, the opposition Social Christian Unity leader Miguel Angel Rodriguez is elected president, there may soon be more investment opportunities in Latin America's oldest democracy.

Mr. Rodriguez plans to privatize a number of state-owned companies while cutting government spending, the stuff of bulk markets everywhere. First off the block should be Banco de Costa Rica, the country's second-largest bank.

His pledges to expand commercial trade missions abroad, eliminate export taxes, open the private banking sector and reduce trade barriers by easing health and environmental requirements are also music to investors' ears.

The outlook is very positive, particularly if there is a clear majority,

said Enrique Arias at BBV Latin Securities in London. "There is a lot of potential funding in Costa Rica, but big foreign investors can't go in until there is a better infrastructure. No government has provided that yet, but some people in Miguel's team have some clear ideas."

In the interim, however, Mr. Arias suggested buying shares in either or both of Costa Rica's cement makers, Cemapa and Inca.

Costa Rica's neighbors also have much to gain if the election result sparks interest among foreign investors, analysts said.

"Investors have to see Costa Rica as part of the Central American region," said Juan Carlos Rodriguez at Latin Invest in London. "They should focus on companies that can give them exposure to the whole region and even to the Caribbean. Each of these markets is very small, but taken together they can provide excellent investment opportunities."

The private Mesoamerica fund is already doing just that.

"We look for companies that we can help expand up to Mexico and down into the northern countries of South America," said Walter Kissling, one of the fund's general managers. "Central America is going through intensive changes as its economies open up. We buy controlling interests in companies that we feel we can make competitive. We plan to fix them, help them grow and then sell or list them in three to five years."

The \$20 million closed-end fund, which is based in San Jose, Costa Rica, is backed by private investors in Central and North America. Mr. Kissling said the company planned to introduce a larger fund in two years.

The Central American Investment Fund is a similar closed-end fund run by Commonwealth Development Corp. It invests in medium-sized companies with strong export potential but has so far found more demand from its investors than opportunities in which to invest, a spokesman for the private fund said.

"We feel that the Costa Rican economy is not only stable but it is beginning to grow quite consistently," Mr. Naranjo

Fundo Costa Rica, the only public fund to concentrate on Costa Rican equities, have been similarly frustrated by the lack of investment opportunities. That's not surprising: The San Jose Stock Exchange is capitalized at only about \$500 million, of which half is accounted for by the brewery Florida Ice & Farm Co. That may be about to change.

"Beginning this year, we will see a new attitude," said Carlos Mora de la Orden, who started the fund in May 1994 and now works as an investment adviser. "The elections will help, of course, but our markets are also starting to mature. Companies are opening up and we will soon see more listings on the stock exchange."

Foreign Minister Fernando Naranjo last week forecast economic growth at 4.0 percent to 5.0 percent in 1998, up from an estimated 3.5 to 4.0 percent in 1997. Inflation could come close to a single-digit level this year, compared with 11 percent in 1997, he said.

"We feel that the Costa Rican economy is not only stable but it is beginning to grow quite consistently," Mr. Naranjo

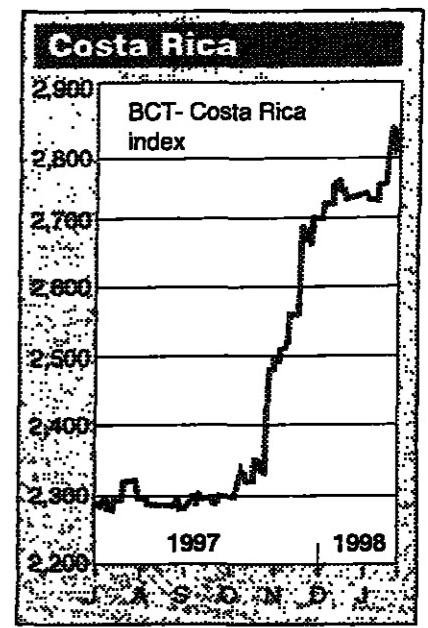
was reported as saying in London. But high internal debt at nearly 40 percent of the gross domestic product is still a worry, he added. "Any one of the two parties who win the elections in February I am very sure will have to solve the internal debt problem," he said.

Meanwhile, four U.S. technology companies have set up shop, attracted in part by a well-educated and peaceful population. The lack of an army has made Costa Rica's history quite different from those of its neighbors.

Intel Corp. has two chip factories due to come on-line this year. Joining it are Photocircuits Corp. of New York, a maker of circuit cards, which will spend \$30 million in the country; New Jersey-based EMC Technology, which plans to invest \$1 million to \$2 million this year to start building a plant to make electronic components for satellites, and DEK USA Inc., a subsidiary of Dover Corp., which plans a \$750,000 investment to make integrated circuit-card imprints.

For further information:

• FUNDO COSTA RICA Phone: 506 290 1262; Fax: 506 290



Source: Bloomberg

• THE CENTRAL AMERICAN INVESTMENT fund Phone: 44 171 220 2322

• THE MESOAMERICA Fund Phone: 506 230 1357; Fax: 506 230 5684.

• LATIN INVEST Investment Management Phone: 44 171 972 0142

• BBV LATIN SECURITIES Phone: 44 171 600 3999

Beyond Region's Big 3, Brady Bond Risks Are Clearer Than Rewards

By Conrad de Aenile

DESPITE STRENGTH OF Lesser Markets, Managers Unsure About Outlook

MOST OF THE attention and money devoted to Latin American bonds is reserved for the three big powers: Argentina, Brazil and Mexico. Yet three smaller countries, all recent adherents to the Brady debt-restructuring plan, managed to rise above their relative obscurity to provide generally stronger returns over the last year than their larger counterparts.

For this year they offer a spectrum of risks, but portfolio managers are divided about the outlook for their relative rewards.

The Brady boards of Ecuador, Peru and Panama each produced greater total returns — interest plus capital appreciation — than the 14 percent return of the index of Latin American Brady Bonds calculated by J.P. Morgan & Co. The gains were 21.9 percent for Ecuador and 20 percent for Peru and 15.3 percent for Panama.

The bonds are named after Nicholas Brady, the former U.S. Treasury secretary. He suggested a restructuring plan under which bank loans of countries that were unable to pay their debts were turned into dollar-denominated bonds. Lenders had to agree to less favorable terms than the original loans and the principal of the bonds was secured by U.S. Treasury issues.

Aside from the fact that their bond

markets are all dwarfed by the more widely followed Brady countries, the three minor Latin borrowers have little in common, said Keith Swabey, director in charge of emerging-market debt at the fund manager Robert Fleming & Co.

The first thing people have to understand about the smaller three is they are distinct in themselves," he said. Panama, he added, "has little or no external financing needs," while Peru and Ecuador have considerable capital requirements.

As for the economic and political liberalization that is the key to success in the developing world, "Ecuador has political risk that the other two don't have. It suffers from fiscal ill-discipline and lack of meaningful structural reform."

Ecuador's legislature removed its unpopular president last year and a border conflict with Peru in 1995 sapped its resources. Its debt-service payments amount to about 45 percent of its annual budget.

Ecuador's Brady bonds carry B-ratings, a speculative grading that indicates credit agencies worry about the country's ability to make good on its debts.

Panama, by contrast, is a model of fiscal rectitude and is by far the most stable and creditworthy of the three small Brady countries, said Helene Williamson, director of fixed income at Foreign & Colonial Emerging Markets, a fund manager in London. Its currency

is the U.S. dollar and its central bank shadows American monetary policy. Its bonds are rated double-B, just one category below investment-grade. Peru is also a double-B credit, although slightly weaker than Panama.

One reason Panama's national accounts are so strong is that its economy is less dependent on commodity extraction or cyclic manufacturing industries than other Latin nations. One of its key industries is shipping services — allowing

boats to pass through the canal.

Its relative soundness means investors are willing to accept interest rates just 3 to 3.5 percentage points above those of U.S. Treasury bonds of similar maturities — the conventional way of measuring yields on emerging-market debt. Brady bonds from Peru trade at premiums of 4 to 4.5 points, and those of Ecuador trade 6 to 7 percentage points above Treasuries.

"Panama is a little bit apart," Ms. Williamson said. "It's a fairly defensive choice. It clearly is the strongest credit of the three."

That is why its debt will underperform in a rising market and hold up better when prices fall. When the Asian economic and financial crisis raised doubts about the wisdom of holding debt issued by any developing country in October, the declines in Latin American Brady bonds followed the pattern exhibited for the whole year, only in reverse.

Panama fell the least, 11.8 percent. Ecuador was off 14.7 percent and Peru fell 16.8 percent. The Brady index, which had a smaller gain for the year than all three, also had a smaller loss in October, 10.7 percent.

Ms. Williamson noted that when emerging-debt prices fall, small issuers will get hit harder than others.

"If you have a down market, liquidity isn't very good and the bid-ask spread widens out," she said. "It's not that there's a huge amount of trading in them, they just get marked down because you don't want to hold illiquid paper."

A general sense of caution in the markets is compelling analysts to emphasize Panama among the three because of its strong balance of payments and the absence of currency risk. The one to shun, many say, is Ecuador.

"Panama is rather shelter

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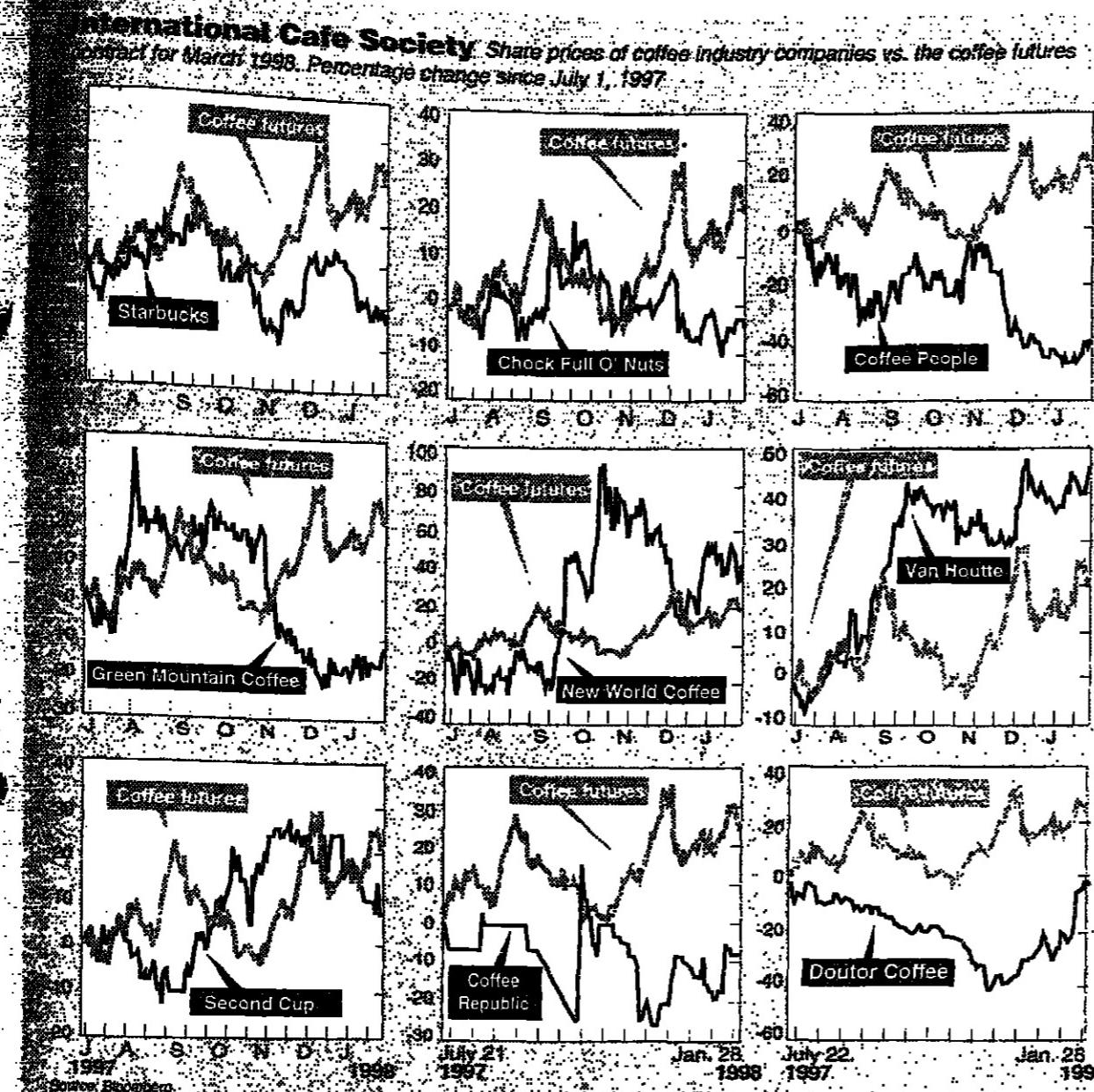
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BRIEFCASE

THE MONEY REPORT



Starbucks Satisfies Investors, Too

By Aline Sullivan

THE BEST PLAY on Latin America's coffee industry may in fact be found thousands of miles to the north, in Seattle, which is home to two types of people: those who recognized a good thing when Starbucks opened its first stores and those who will forever wish that they had.

But it may not be too late. Although no one is expecting anything like the seven-fold rise in share values since Starbucks Corp.'s initial public offering in June 1992, analysts said that investors in the Seattle company can still expect plenty of growth, making the stock attractive even at a time of rising coffee prices.

"It's like McDonald's with no competition from Burger King," said Craig Bibb, consumer analyst at PaineWebber Inc. in New York.

He dismissed most would-be rivals as "basically bust," including Chock Full o' Nuts Corp., Green Mountain Coffee Inc. and Second Cup Ltd.

"Only two small, privately held companies — Peets Coffee in San Francisco and Caribou in Minneapolis — are offering anything like Starbucks' quality," Mr. Bibb said.

Indeed, the only publicly quoted competitor worth watching appears to be the relatively tiny New World Coffee & Bagels Inc., which last month earned the top rating in comparative coffee taste-tests conducted by The Coffee Review, the leading industry coffee-rating publication.

New World, which was founded in 1993, owns and operates stores in Connecticut, New Jersey, New York and Pennsylvania. It has franchise agreements in Florida and Maryland and at its first store

outside the United States, in Munich.

Jean-Michel Valette, an analyst at Hambrecht & Quist in New York, described it as a "death by a thousand pinpricks" for most of Starbucks' competitors.

"Starbucks is clearly in a league of its own," he said. "It does everything a little bit better than any other company and the total impact is devastating."

He said he expected shares to rise to \$50 in a year, from its current level of \$36.5625, and joked that they should be "\$1 million by the year 2000."

Starbucks is shrugging off rising coffee prices. The high winds and unseasonable weather generated by El Nino have slashed coffee production, forcing prices up further this year after a 150 percent jump in 1997.

Cost Rica has been experiencing a heat wave since the beginning of the year, while Colombia has too little rain and Brazil too much. Similar problems in the Seattle company can still expect plenty of growth, making the stock attractive even at a time of rising coffee prices.

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trading at about \$1.75 a pound. That makes Starbucks a good bet for anyone with an investment horizon of more than three months, analysts said, particularly since the company has suffered very little from the rise in coffee costs.

"The costs are a consideration, but they are still not as high as they have been in years past," said Mr. Valette.

"Also, Starbucks has been able to pass them off to its consumers who, perhaps surprisingly, have not balked."

Starbucks is an international play. Domestically, there is still plenty of room for growth, particularly in the Midwest and Southeast.

"The company's only in 46 of the top 100 markets in the United States," Mr. Bibb said.

Starbucks now has 1,200 stores and, at a rate of more than 300 new stores each year, expects to have 2,000 stores by the year 2000. About 100 of these will be outside the United States, mostly throughout the Pacific Rim.

Reflecting a welcoming Asian market for coffee retailers, the Japanese company Doutor Coffee Co. has been performing well. The company was recommended to readers of The Money Report by Shuhui Abe, president of Sparx Asset Management Co., in April, before the economic crisis that ravaged the major Asian financial markets.

Doutor suffered a decline after that, hitting its nadir late in November. Since then, however, it has been advancing, garnering positive ratings from some of the Japanese brokerage houses.

It now trades at 4,140 yen (\$33), about 10 percent above its price in April, while the Nikkei average remains about 5 percent below its level at the time.

Last year may prove to have been an aberration, but managers who blindly match their portfolios to capitalization-weighted indexes by definition are putting more money into markets that have already had the biggest price run-ups than in those that have become cheap.

"A capitalization-weighted index is encouraging you to chase markets," a manager at a London brokerage house said, adding that investors join the chase at their peril. Despite efforts make emerging-market asset allocation more scientific, he said: "The markets are still liquidity driven. They're still being having in the same damn fool way they always have, going through the roof, then back to the floor."

The London manager developed what he assets is a lower-risk, value-oriented approach in which 26 countries are assigned to one of two tiers, large or small, and given equal weights. The portfolio is rebalanced monthly to keep the weights in line. The aim is to keep about 5 percent of assets in each of the 13 largest markets and 2.5 percent in each of the others. (IHT)

Expat Pros and Cons

Prudential Relocation, a division in Vahalla, New York, of the financial-services conglomerate that helps companies move executives and their families around the globe, recently completed a survey that looks at the pros and cons of expatriate life in the United States, with some revealing results.

While missing family and friends back home, and sometimes coping with a different language, are issues for expatriates around the globe, other cultural encounters were uniquely American — and negative — and were reflected in comments like "overwhelming number of firearms and crime" and "major gun problem compared to home." The American medical system was a shock to many. "Complex and expensive," said one expert.

One of the most frequent complaints from spouses was their inability to obtain work visas in the United States.

Prudential suggested that the more unpleasant aspects of culture shock could be alleviated if companies sent executives and their families to their seminars before they go abroad. (IHT)

Adviser Says Japan Key To World Market Safety

Could this be the year that Japan puts its financial house in order and starts its long-predicted turnaround? Alan Brown, chief investment officer for State Street Global Advisors, the Boston money-management concern, said that while there is still risk in Japan, he thinks its prospects are improving.

"They've been making some good moves," he said, citing three encouraging developments. After years of denial, he said, Japan is finally admitting it has financial problems; new accounting rules mean financial misdeeds can longer be hidden under the carpet, and there has been an end to bailouts of failing companies, signaled by the government's refusal to rescue Yamai-

A Asia started last year commanding a 50 percent weighting, compared with 30 percent for Latin America and 20 percent for the rest. This year, Asia begins with a 29 percent weighting, while Latin America's has risen to 42 percent.

Let the Experts Do Your Stock-Picking

JUST LAST WEEK, Morgan Stanley, Dean Witter, Discover & Co. announced its 12 top stock picks for 1998. But, reading the introduction to the list, I became aware of a curious silence. Normally, the firm trumpets the performance of the previous year's stocks, which are packaged and sold as a unit trust. But those results went unmentioned.

I ran the numbers on my Bloomberg computer and soon realized why. Of last year's 12 stocks, six were losers, with four declining more than 25 percent. Eleven of the 12 failed to beat the Standard & Poor's 500-stock index. In all, the portfolio returned 3.6 percent for the year ending Jan. 23, 1998, compared with 27.4 percent for the S&P and 5.6 percent for a riskless one-year Treasury bill. Miserable.

I point to this list not to embarrass the venerable investment firm but to remind my readers that picking stocks is not easy. In fact, in this environment, it gets harder all the time. In such a climate, it makes sense to turn to mutual funds. Let specialists choose the stocks in your portfolio. But be aware that even the best can be outfoxed.

Last year, our "10 mutual funds to have and to hold" returned an average of 21.1 percent — or, more accurately, 22.7 percent after eliminating SoGen International, which is a mixed-asset fund that holds lots of bonds and cash. The stock funds easily whipped the Dow (up 17.8 percent for the 12 months ending Jan. 28) but trailed the S&P (up 27.4 percent for the 12-month period).

This year, there will be only five funds on the list. Before we get to it, it is worth reviewing the 1997 funds. Here they are, with five-year annual average returns in parentheses:

American Century Equity Growth (20.1 percent), Clipper (19.4 percent), Dreyfus Appreciation (18.8 percent), Fidelity Contrafund (18.1 percent), Fidelity Low-Priced Stock (19.5 percent), T. Rowe Price European Stock (18.8 percent), Safeco Common

Equity (21.6 percent), SoGen International (12.5 percent), Strong Schafer Value (18.4 percent) and Vanguard Total Stock Market (18.1 percent).

The emphasis this year, as usual, is on my own bias — funds that seek value, or stocks that have been shunned by the market. Use the list, based on recommendations of folks I admire and trust, as only a first step in making your own choices.

Vanguard Windsor II (19.2 percent five-year average annual growth), Gerald Appel, editor of Systems & Forecasts newsletter, picks Windsor II as "the single mutual fund that I would recom-

mend for year-long holders in 1998."

The team that manages the Windsor follows a large-cap value strategy, with low turnover. Stocks must have capitalizations greater than \$1 billion, dividends that are higher than average, and price-to-earnings ratios that are lower than average. Top three holdings at last report were Chase Manhattan Corp., International Business Machines Corp. and Ford Motor Co.

Expenses are low, about 0.35 percent. Of 1,700 stock funds tracked by the Value Line Mutual Fund Survey, only two receive a top rating for overall performance and for low risk. They are Mutual Discovery and Mutual Qualified, both from the family run by the contrarian Michael Price. We have chosen Qualified because of its 17-year history, compared with the more aggressive four-year track record of Discovery. At last report, the portfolio was headed by Chase Manhattan Corp., Investor AB and General Motors Corp.

Third Avenue Value (17.4 percent). "I want our fund managers to concentrate on their best ideas and forget about stocks that don't meet their strict criteria," Robert C. Carlson recently wrote in his Retirement Watch newsletter. One such manager is Martin Whitman. Lately, he has taken positions in Japanese fire and marine insurance companies, including Chiyoda, Yasuda and Mitsui. Another large holding is Tejon Ranch Co., which owns land near Los Angeles.

Mutual Qualified Fund (18.7 percent). Of 1,700 stock funds tracked by the Value Line Mutual Fund Survey, only two receive a top rating for overall performance and for low risk. They are Mutual Discovery and Mutual Qualified, both from the family run by the contrarian Michael Price. We have chosen Qualified because of its 17-year history, compared with the more aggressive four-year track record of Discovery. At last report, the portfolio was headed by Chase Manhattan Corp., Investor AB and General Motors Corp.

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Utilities Get a Boost From Privatization

By Judith Rehak

FYOU THINK of electric utility stocks as predictable-but-dull investment fare, consider the South American brand, guaranteed to bring a little spice to a portfolio. Electric generators and distributors are at the forefront of the continent's economic renaissance, and they run the gamut from fairly conservative bets to decidedly risky ones.

What makes their stocks alluring is their potential for appreciation as they become privatized, deregulated and efficient, freed from years of bloated employee rolls and mismanagement by government owners. At the same time, demand for electricity is surging throughout South America. In Brazil, for example, it is outstripping economic growth by one to two percentage points a year, growing even when the economy is flat, according to a recent report by the major Asian financial markets.

Reflecting a welcoming Asian market for coffee retailers, the Japanese company Doutor Coffee Co. has been performing well. The company was recommended to readers of The Money Report by Shuhui Abe, president of Sparx Asset Management Co., in April, before the economic crisis that ravaged the major Asian financial markets.

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It now trades at 4,140 yen (\$33), about 10 percent above its price in April, while the Nikkei average remains about 5 percent below its level at the time.

there's plenty of unfulfilled demand."

Copel also looks attractive to Paul Parsley of Lehman Brothers.

"There's no foreign group in there now, but I don't think they'll have any trouble attracting one with their location and customer base," he added.

A dicier pick, because it involves political prognostication, is Celeste — Centrais Eletricas de Santa Catarina SA, favored by Charles Barnett, ING Barings Ltd.'s Sao Paulo-based analyst.

"It's the Sleeping Beauty of the Brazilian power sector," he said. "Nobody's been focusing on it because it's not on the list to be privatized."

Not yet, at least. But Mr. Barnett is betting that state elections in October will sweep in a privatization-friendly government. Besides being positioned for improved efficiency once it is privatized, the distributor operated in the state of Santa Catarina, part of Brazil's booming industrial south, with possibilities of serving Argentina as well.

Meanwhile, Celeste shares are "extremely cheap," said Mr. Barnett. One of his measures of what an investor pays for each megawatt-hour of electricity transmitted by a distributor. He estimated that Celeste investors were paying about \$50 per megawatt-hour, or just a third of its peers in other states.

Other analysts favor electrical utilities that are farther along in the privatization process. At Paribas, Carine Salvy noted that Companhia Eletrica do Estado do Rio de Janeiro — Cetip — has already increased its efficiency under Celeste SA, its major shareholder since November 1996. Cetip's employee roster has been slashed by half, and its electricity losses cut to 26 percent from 30 percent — no small feat for a country where enormous amounts of electricity never reach the customer because of theft and technical problems.

"It's worth mentioning, because a lot of companies have these losses, but new owners haven't always been able to cut them," Ms. Salvy said. She expects Cetip's full potential to emerge over the next two years, and predicted a 50 percent rise in its share price over the next 12 months. The stock currently trades at about 61 cents, down from 89 in mid-October.

Although it is difficult to avoid Brazil, which has many opportunities because of its sheer size, analysts are not dismissing the rest of South America.

Topping several lists is Luz del Sur SA in Peru, which distributes electricity to the southern half of Lima. The company's foreign investors, Chilquinta SA of Chile and Ontario Hydro, have already accomplished much of their mission.

Mr. Barnett noted that Luz del Sur now has 850 customers per employee, compared with 600 before privatization, calling it "one of the most efficient now." The company has no debt, and a war chest of cash to compete for acquisitions in neighboring countries.

"It's a good low-risk buy, with a 6.5 percent dividend, for investors who like the usual utility story," he said.

An added attraction of Luz del Sur is that the sol, Peru's currency, has escaped much of the damage inflicted on other South American currencies by Asia's financial crisis, thanks to a flood of foreign investment coming into the country's mining industry.

Among less-traveled companies, Mr. Michel's has a buy recommendation on Egenor SA, a hydro- and thermal-electric generator in sparsely populated northern Peru that can sell its electricity elsewhere. "It's just very inexpensively valued," he said. The shares are near their 52-week low on the Lima exchange, trading at 79 centimos.

Mr. Michel's also is enthusiastic about Companhia Energetica do Ceara, a state-controlled distributor for the state of Ceara in Brazil, which is set to be privatized in April. The company is known as Coelce. While getting in early on these lesser-known utilities can produce some spectacular returns, they come with caveats, namely poor liquidity.

"A lot of people invested in some of the less-liquid ones over the first half of last year, and when the Asia crisis began to hit, even as early as July, they couldn't get out," one analyst warned.

"It can be very scary."

Where the shares are listed:

• COPEL: Common shares trade in Brazil and over the counter in the United States as American depositary receipts. Depository receipts for the company's preference shares are listed on the New York Stock Exchange and in Germany.

• CELESTE: Common shares trade in Brazil.

• CHILECTRA: Common shares trade on the Santiago Stock Exchange and ADRs trade over the counter in the United States.

• COELCE: Ordinary shares trade in Brazil.

• LUZ DEL SUR: Common shares trade on the Lima Stock Exchange, and as depository receipts in London.

EMERGING MARKETS INFRASTRUCTURE FUND is a closed-end fund that offers exposure to Latin American utilities, among its other holdings. The fund trades on the New York Stock Exchange under the symbol EMG.

Uncertain Brady Bonds

INTERNATIONAL Herald Tribune

SPORTS

SATURDAY-SUNDAY, JANUARY 31-FEBRUARY 1, 1998

WORLD ROUNDUP

Setback for Graf

TEENNIS Steffi Graf said Friday she was withdrawing from next week's Toray Pan Pacific Open tournament in Tokyo and delaying her comeback because trouble with her surgically repaired left knee had flared up again.

"Up until two days ago my preparations for the tournament were going according to plan," Graf said in a statement released through her management company. "I made good progress in my fitness and in my game in the past month."

Unfortunately, on Wednesday, the day before my planned departure, problems occurred again on the left knee, which had been operated on."

Graf said she was unable to specify another date for her comeback. The former No. 1 women's player in the world has not played in a tournament since losing to Amanda Coetzer in the quarterfinals of the French Open last June. She had an operation on her left knee shortly after that defeat. (AP)

A Return for Maradona?

SOCCER Diego Maradona is prepared to return to Napoli as a coach, a club official, or "even as a player" to save the Serie A team from relegation, his agent said Friday.

The 37-year-old Maradona, who led Napoli to Italian league championships in 1987 and 1990, is training in Argentina and feels fit, said Guillermo Coppola.

"He's ready to come back and, above all, give a hand to the city," Coppola said.

Maradona is beloved by fans in Naples, who stood by him after he was handed a 15-month suspension in 1991 for testing positive for cocaine before an Italian league match. He was later banned during the 1994 World Cup for another positive drug test. (AP)

Sprewell Gives His Side

BASKETBALL Latrell Sprewell had his say in the arbitration hearing that will determine whether the punishment he received for choking and threatening to kill his coach will be reduced.

For more than six hours Thursday, Sprewell answered questions from his attorney and his allies on the legal staff of the NBA players union, then underwent cross-examination by lawyers for the NBA and the Golden State Warriors.

The hearing was to resume Friday in Portland, Oregon, with Sprewell's agent, Am Tellem, scheduled to testify. An abbreviated session was to end with testimony from Warriors' general manager, Garry St. Jean.

The details of the testimony remained secret under a gag order issued by an arbitrator, John Feric. The hearing then shifts to New York, with sessions scheduled for Tuesday, Wednesday and Thursday.

Orioles Sign Guillen

BASEBALL The Baltimore Orioles gave themselves middle-infield insurance by signing the veteran shortstop Ozzie Guillen to a minor league contract and inviting him to their major league spring training camp.

The deal would pay Guillen a salary of \$450,000 if he makes it to the big leagues this year, and contains \$250,000 in incentives. He had a \$4.5 million salary last year with the Chicago White Sox. (WP)

Rios Crushes Escude To Reach Open Final

Chilean Meets Korda Sunday in Melbourne

By Julie Cart
Los Angeles Times Service

Kerten in the second round. Escude came back from two sets to lose three times here, something no player has ever done at a Grand Slam event.

"I feel like a living sleeping pill," he said in his fractured English. "Like I'm in a dream, so relaxed. And I want the dream to continue. It's amazing, unbelievable, I don't know why this is happening."

Unfortunately for the world's No. 79, he played in Friday's semifinal as if he had been taking sleeping pills. Escude made 44 unforced errors and squandered the few break points he managed to manufacture. He converted on only two of six break opportunities, points he sorely needed.

Rios was efficient and workmanlike and surprised Escude by his willingness to approach the net in a bid to end points more quickly. Like many players here, Rios has been suffering from late-match muscle cramps. He defeated Alberto Berasategui in four sets in the quarterfinals and acknowledged after the match he would have been unable to play a fifth.

Escude, too, was fatigued. "Marcelo was playing very well," Escude said. "I was just tired. It was very difficult for me to warm up before the match today. It has ended."

Rios is the tour's most fearsome young player, both for the quality of his play as well as his dour demeanor. The 22-year-old has grown up markedly since he turned pro in 1994. Then, he was indifferent to his peers, hostile to the media and abusive to fans.

The lowlight of this penultimate period came at Indian Wells two years ago,



Marcelo Rios of Chile in action Friday at his easy semi-final victory over Nicolas Escude of France in the Open. (David Gray/Breitling)

when Rios used a racial epithet to a chair umpire and spit on a young fan who asked for his autograph.

Rios has been rehabilitated since then. He's still uneasy talking to reporters but is now willing to do so. He's far from outgoing, but it's hardly the point: Rios has honed his game into a damaging form of baseline punishment.

Korda is enjoying what he calls a "very nice ride," an understatement, considering his recent setbacks, which have included surgery and declining interest in the game.

His fragile health has regained its

former rosiness, as has his outlook.

"I am really enjoying tennis any time I'm stepping on the court," he said. "I think people can see that, how I'm hitting the ball and how I'm enjoying tennis."

■ Lucie and Hingis Win Doubles

Mirjana Lucic took a first step Friday toward following in the path of No. 1 Martina Hingis, winning her first Grand Slam title in a women's doubles match at age 15. The Associated Press reported

and three singles, and is playing in her fifth straight Slam singles final on Saturday, against Conchita Martinez.

The teenage pair, good friends and practice partners who entered as wild cards, beat top-seeded Lindsay Davenport and Natasha Zvereva, 6-4, 2-6, 6-3. With a combined age of 32, the two were the youngest team ever to win a Grand Slam women's doubles title.

After suffering an early service break in the final set, Lucic contributed some heavy hitting to her team's comeback from 0-3 to take the final six games in a row.

Golf-Cart Suit Puts PGA in The Rough

By Thomas Bonk
Los Angeles Times Service

PEBBLE BEACH, California — As Casey Martin's suit against the PGA Tour to allow him to use a golf cart moves closer to its trial date Monday, two members of the tour's policy board say they already know what's going to happen.

"I think we're going to lose," Davis Love 3d said.

Mark O'Meara agreed, even if it's not all that happy about it. "Win, lose or draw — and I think we're going to lose the first round — if we lose and Casey rides a cart, it's going to set the game back."

Martin, 25, is the former Stanford All-American who has a circulatory ailment in which blood pools in his lower right leg, making his tibia brittle and causing extreme pain when he walks. He has sued the PGA Tour under the Americans With Disabilities Act.

Martin was allowed to use carts in this year's first two events on the Nike Tour, which is a step below the PGA. Riding a cart, Martin won the first but missed the cut at the second.

"Look at the publicity," O'Meara said. "He got more publicity for that win than somebody who's won 12 times on the regular tour."

"I don't want to keep a young player with disability from playing his dream," he added. "What I am saying is that walking and physical fitness are part of the game."

Japan Counts on Home Advantage for Olympians

By Jere Longman
New York Times Service

frequently displayed and the singing of the national anthem in schools continues to cause debate.

About 80 percent of the 1.29 million available tickets for Japanese spectators were reported sold by the second week in January, an advance sale matched only by Norway for the 1994 Games. Crowds of 40,000 or more are expected for ski jumping, where the Japanese are strong medal contenders.

"After World War II, we don't think about expressing our loyalty to the nation," said Nami Suzuki, 29, secretary

at a Tokyo investment bank who is serving as an Olympic volunteer. "When it comes to the Olympics, we remember our love for Japan. We can feel Japanese."

Makoto Kobayashi, the head of the Nagano Olympic Organizing Committee, said he hoped that Japan would win at least two gold medals. Even more optimistic is Chiharu Igaya, a silver medalist in the slalom at the 1956 Winter Olympics and now a member of Dartmouth College, predicted four gold medals, one more than Japan has won cumulatively in previous Winter Games.

The Olympic ideal of bringing the world together in peaceful competition is widely evident here in this jumbled city of 360,000 nestled between the snowy peaks of the Japanese Alps. Once isolated, Nagano will open its arms to 2,450 athletes from 72 countries from Feb. 7 through 22.

"I don't have a chance to meet people from the outside world," said Shizuya Yasuda, 21, who stocked vending machines on Friday at the M-Wave. "To meet others, to understand other cultures, is more important than gold medals."

Local schools have each adopted a country to study and root for. Stores on the main street are flying flags of the participating nations. Banners discreetly bear the names of corporate sponsors, avoiding the commercial taint of the Atlanta Games.

Some innkeepers in nearby ski resorts have said the Games have scared away their winter business, leaving them with empty rooms and emptier pockets. But local ambivalence seems to have largely melted as residents eagerly say hello

to the Japanese tourists packing the snow with their boots on a slope near the men's downhill ski competition.

The Associated Press

Japanese troops packing the snow with their boots on a slope near the men's downhill ski competition.

and wave at Westerners. Still, the overall success of the Nagano Games will in many ways be linked to the success of Japan's athletes. "The Olympic movement is not only bringing people together," said Shunichiro Okano, an IOC member from Japan. "The results of the competition are important for the host country. The Japanese are expecting a lot of medals."

The Japanese have strong teams in speed skating, ski jumping and Nordic combined, which consists of ski jumping and cross-country skiing. Japan won team gold medals in Nordic combined at the 1992 and 1994 Winter Games.

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DAVE BARRY

Watch Out for Shaving Cream

MIAMI — If you're a man, at some point a woman will ask you how she looks.

"How do I look?" she'll ask. You must be careful how you answer this question. The best technique is to form an honest yet sensitive opinion, then collapse on the floor with some kind of fatal seizure. Trust me, this is the easiest way out. Because you will never come up with the right answer.

The problem is that women generally do not think of their looks in the same way that men do. Most men form an opinion of how they look in seventh grade, and they stick to it for the rest of their lives. Some men form the opinion that they are irresistible stud muffins, and they do not change this opinion even when their faces sag and their noses blot to the size of eggplants and their eyebrows grow together to form what appears to be a giant forehead-wrapping tropical caterpillar.

Most men, I believe, think of themselves as average-looking. Men will think this even if their faces cause heart

were very fond of an action figure (part of the He-Man series) called "Buzz-Off," who was part human, part flying insect. Buzz-Off was not a looker. But he was extremely self-confident. You could not imagine Buzz-Off saying to the other action figures: "Do you think these wings make my hips look big?"

But women grow up thinking they need to look like Barbie. I once saw an Oprah show wherein supermodel Cindy Crawford dispensed makeup tips to the studio audience. Cindy had all these middle-aged women applying beauty products to their faces; she stressed how important it was to apply them in a certain way, using the tips of their fingers. All the women dutifully did this, even though it was obvious to any sane observer that, no matter how carefully they applied these products, they would never look remotely like Cindy Crawford.

I'm not saying that men are superior. I'm just saying that you're not going to get a group of middle-aged men to sit in a room and apply cosmetics to themselves under the instruction of Brad Pitt, in hopes of looking more like him. Men would realize that this task was pointless and demeaning.

They would find some way to bolster their self-esteem that did not require looking like Brad Pitt. They would say to Brad: "Oh yeah? Well what do you know about LAWN CARE, pretty boy?"

Of course many women will argue that the reason they become obsessed with trying to look like Cindy Crawford is that men, being as shallow as a drop of spit, WANT women to look that way. To which I have two responses:

1. Hey, just because WE'RE idiots, that doesn't mean YOU have to be: and

2. Men don't even notice 97 percent of the beauty efforts you make anyway. Take fingernails. The average woman spends 5,000 hours per year worrying about her fingernails: I have never once, in more than 40 years of listening to men talk about women, heard a man say, "She has a nice set of fingernails!"

Anyway, to get back to my original point: If you're a man, and a woman asks you how she looks, you're in big trouble. Obviously, you can't say she looks bad. But you also can't say that she looks great, because she'll think you're lying, because she has spent countless hours, with the help of the multibillion-dollar beauty industry, obsessing about the differences between herself and Cindy Crawford.

Also, she suspects that you're not qualified to judge anybody's appearance. This is because you have shaving cream in your hair.

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An Intimate 19th-Century Look at the 18th.

International Herald Tribune

PARIS — A home that became a museum, a museum that hopes to resemble a home: The Musée Nissim de Camondo on the edge of the Parc Monceau is an intimate monument to the late 18th century seen through the lens of the late 19th. Its Louis XVI furnishings are a reference point to scholars and collectors; its atmosphere is reminiscent of cigar smoke and starched shirtfronts. Belle Epoque banquets, carriages in the stables and children in the garden dressed in white. A safe world although there were already cracks in it.

The Camondo cousins, Isaac and Moise, were very much a part of late 19th-century Paris society which had grown to include the banking world in which the family had for generations thrived. They

MARY BLUME

joined such clubs as would accept them, entertained lavishly, collected fashionably (the Goncourt brothers had launched the 18th-century revival as well as participating discreetly in another fashion, anti-Semitism), and found it unsurprising that the Paris grain was willing to forget their origins in order to stag hunt or shoot at their country seats.

As a collector, Isaac de Camondo (1851-1911) ranged wider than his cousin, Moise, becoming the talk of the town in 1881, when he spent record sums at the three-day Baron Double sales, collecting not only 18th-century furniture and paintings by Watteau and Fragonard, but also such moderns as Monet, Cézanne and more than 30 works by Degas. He gave his collection to the Louvre on his death, causing the museum to bend its rule about not accepting artists' works unless they had been dead for 10 years. Moise de Camondo (1860-1935) concentrated on the late 18th century and it is his house that is the Nissim de Camondo museum today.

In recent months by coincidence two books have appeared on a family known more for its collections than its members: Pierre Assouline's "Le Dernier des Camondo" (Gallimard), a popular history based mostly on secondary sources, and the more scholarly, "Les Camondo ou l'éclat d'une fortune" (Actes Sud) by Nora Seni and one of the museum's archivists, Sophie le Tarcé.

In the few months since the books were published, attendance at the museum has doubled to 6,000 a month, according to its chief curator, Marie-Noel de Gary, and a new catalogue is at the printer's. Moise expressed the wish that everything remain in place, a wish that has been followed insofar as this is possible when a private space becomes public.

It was in Constantinople that the Camondos first thrived in the 18th century, part of the Sephardic community that began to settle there after the expulsion from Spain in 1492. Despite the many restrictions and sumptuary laws that all minorities were subject to (Armenians had to wear deep purple, Greeks black, Jews blue), they moved from trade into banking, founding their own bank in 1802 and greatly enriching the Sublime Porte as well as themselves.

They gave generously to charity, even building a synagogue, since destroyed, in Lindos on the island of Rhodes, developed an entire section of Constantinople and, subject because of their religion to an innate sense of transience, had an alert eye for the pleasure as well as the profitable. They were known as the Rothschilds of the East.

Banned from Turkish citizenship, they became briefly Austrian and then Italian citizens and counts by fiat of Victor Emmanuel II while still living in



Nissim de Camondo

Turkey. Paris, where they already had business connections and had spent several seasons, seemed a logical next step and in 1869 the patriarch, Abraham, moved the family there despite his great age.

For Abraham the move was simply part of the family tradition of displacement and an opportunity to share in a vibrant financial scene. Social advancement was part of business success and adapting to circumstances was in his blood. Once in Paris, he quickly saw that Smyrna rugs would not do and ordered Persian carpets instead, as well as a large clock with allegorical figures representing prosperity. When he died in 1873 there was a funeral in Paris and a larger one in Constantinople, where all the city mourned, bells tolled, two battalions formed an honor guard and the bourse closed down for the day.

His son, Isaac, and nephew, Moise, inherited property on the newly fashionable Plaine Monceau and a very different world. They made no attempt to become French citizens — centuries of wandering made notions of citizenship irrelevant — but they did become urgently Parisian. Softer than Abraham, they had no need to build a fortune but simply to manage and gently augment what they had. They believed they could forge history and settle down. Unlike Abraham, they had no need to impress. They were accepted, within the familiar limits. When Edouard Drumont published his virulent "La France juive," they probably shrugged off such comments as, "One might smile to hear of the Count de Camondo or the Baron de Hirsch, but one becomes accustomed to it, almost."

Isaac described himself on his hunting permit as a landowner rather than a banker, which was classier and true. Although his father in his will had urged him to marry and carry on the family name, Isaac remained a bachelor with an eye for dancing girls and neglected to legitimate his two sons, who died without issue.

His apartment on the Champs-Elysées was a showplace, with art from Japanese prints to a Georges de La Tour. He adored music, helping to back the operas "Louise" and "Pelleas et Melisande," and his own composition, "The Clown," was performed with Geraldine Farrar in the leading role. Some critics compared it to Richard Strauss but the social leader Madame de Grefeuille wrote him that there could have been cuts in the second act.

Moise, blind in one eye from a hunting accident, was less convivial by nature but as worldly as his position required. Balding and 31 years old, he made a marriage more reasonable than sensible to a beautiful 18-year-old heiress, Irene Cahen d'Anvers. She brought him a dowry of 1,050,000 francs, bore him a son, Nissim (which translates as "miracle"), and a daughter, Beatrice, and ran off with Moise's Italian horse trainer.

As convention required after their divorce, Moise resigned from several of his clubs. He traveled, hunted, drove in a Paris-Berlin automobile race under his chauffeur's name, and spent more and more time creating a fine new house at 63 Rue de Monceau. Long an expert collector of Louis XV transitional and Louis XVI furniture and decorative arts, he commissioned the architect René Sergent to build a suitable frame for his collection. The model was the Petit Trianon.

The project was to have state-of-the-art modern conveniences in a perfectly convincing 18th-century setting. It was a treasure house but also a home for Moise and the children. The contents were, and are, stunning but — except for the tableware which Catherine the Great had made for Gregory Orloff — rarely showy. A small rolltop desk by Deben is one of the outstanding beauties, as is the "Buffon" Sevres porcelain, all the carpets and tapestries, and the small bonheur-du-jour table by Carlin with Sevres plaques that took Moise's scouts years to track down. For a treasure house it is curiously livable.

After three years of constant work, the house was finished. It was 1914 and young, affable Nissim signed up at once. He wrote loving letters to "Mon papa cher," gave him news of society ladies' horses' performances under gunfire, asked for a cookbook since he had successfully improvised a macaron au gratin for his men, and was given a camera by his father so that he could become a reconnaissance pilot. He died in combat in 1917 and Proust wrote Moise a condolence letter in which he could not forbear mentioning his own poor health.

In 1918 Beatrice married a member of the distinguished scholarly Reinach family and in 1923 moved with her children into her own house. Undone by grief at Nissim's death, Moise continued to collect and resolved in 1924 to make his house into a museum in memory of his son. Moise died in 1935 and the museum was inaugurated the following year, its furniture and Nissim's photographs left as they had been.

During World War II, Beatrice, fatally convinced that she was French, her brother having died for his country and her father and uncle having been among France's greatest benefactors, continued to ride in fashionable meets, a yellow star fixed to her well-cut jacket. The museum survived undamaged because it was state, rather than private Jewish, property.

"All those who really know 18th-century furniture come here," says de Gary. "They are the true descendants." The only descendants, as a plaque indicates when one leaves this warm and wonderful house:

"Mme. Leon Reinach, born Beatrice de Camondo, her children, Fanny and Bertrand, the last descendants of the founder, and M. Leon Reinach, deported by the Germans in 1943-44, died at Auschwitz."

PEOPLE

THE guitarist and songwriter Noel Gallagher wants a break from Oasis, because he says he is bored with being a rock star. British press reports said on Friday. During a break in the group's current tour of the United States, the singer was reported to have told an interviewer on the Los Angeles radio station KROQ: "Breaking up after the tour sounds probably right. I am bored with being a rock star, as the people on the other side of the fence are bored with it. We are going to have the rest of the year off, then next year we might make another record and see how popular we are." The group, which did not sell all the tickets for its Los Angeles concert, moves on to Dallas over the weekend. A spokesman for the group's record company, Creation, said Oasis had always planned to take six months off when the tour ends in April.

Bobby Brown was reduced to tears in a Fort Lauderdale, Florida, courtroom as he was sentenced to jail for drunken driving. The musician was on trial after crashing his black Porsche into hedges and a street sign in Hollywood, south of Fort Lauderdale, in 1996. He broke four ribs and a foot in the wreck. Brown was ordered to spend five days in jail and undergo drug and alcohol treatment. He was released on \$15,000 bond while his lawyers appeal.

The home Bill Gates built in Medina, Washington, apparently has some bugs to be ironed out. "I brought up a big screen in my bedroom and for some reason the system stopped working," the Microsoft chief said. "It was just sitting there shining. And I wanted to go to sleep. . . . So finally I had to get a blanket and put it over the screen." The mansion took seven years to build and features a 20-seat theater, a pool with underwater music, its own pier, a 20-car



Bobby Brown in the courtroom.

underground garage, an indoor spa, a 100-visitor reception hall and a \$1.4 million caretaker's residence.

Madonna's black satin bras will go on sale at an auction in New York, as well as a Bob Marley guitar and Timothy Leary's hashish pipe. Christie's is selling more than 200 items formerly owned by celebrities on Feb. 4. Other lots include original sheet music of the Beatles and Rolling Stones, a leather shirt that once belonged to Jimmy Hendrix and Duke Ellington's piano.

Keiko, the whale who starred in "Free Willy," has been given a clean bill of health, bringing him a step closer to the day when he will be released to the open sea, just like in the movie. "There

is no current indication that Keiko is ill," an independent panel of marine mammal experts said. The U.S. Department of Agriculture assembled the group to assess the health of the star attraction of the Oregon Coast Aquarium in Newport. The Free Willy Foundation, which owns the killer whale, hopes to move him to an ocean pen as early as this fall and eventually release Keiko into the wild.

Queen Beatrix of the Netherlands will celebrate her 60th birthday on Saturday, surrounded by a host of royals from around the world. About 60 guests were due to arrive on Friday for three days of festivities. Among those helping the queen celebrate are Prince Charles of Britain, King Juan Carlos of Spain, King Albert of Belgium, Queen Margrethe of Denmark and King Harald of Norway.

Gerhard Brunner, a former Vienna Opera Ballet director, has been asked to oversee controversial plans to merge the ballet companies of the three Berlin operas. The Berlin regional culture minister, Peter Radunski, said Brunner would start his new job in February. The ballets belong to the Staatsoper, Deutsche Oper and Komische Oper. Under the plan, the ballets would merge into two companies, one for modern dance and one for classical dance, but the project is opposed by the three operas.

Aflying club is upset about Michael Jackson's plans for a \$500 million amusement park at a former military airport in Warsaw. Although the Defense Ministry has agreed to the sale, the part of the airport is used by the civilian Aeroclub, which apparently doesn't want to close or move. Negotiations are under way.

Smoke Signals, produced by Alexie and adapted from one of his stories, won the audience award at the most popular film at Sundance last weekend. Competing filmmakers also voted it the favorite dramatic movie. PEN/Faulkner brings about a dozen writers a year to Washington in its benefit series. The money raised goes to help pay for the PEN/Faulkner Award, given each spring. In addition to reading before as many as 500 people, the visiting writers talk to students at a local high school.

Earlier this month, Alexie received a laudatory profile in the New York Times Magazine. His hell-raising years were behind him, he said. "I'm sober. I'm married to an Indian woman. I have a stable family life. I'm polite. I've become a good role model."

Thursday, he said he would send "a donation to PEN/Faulkner in lieu of my appearance."

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